6TH Annual

CHANNELS

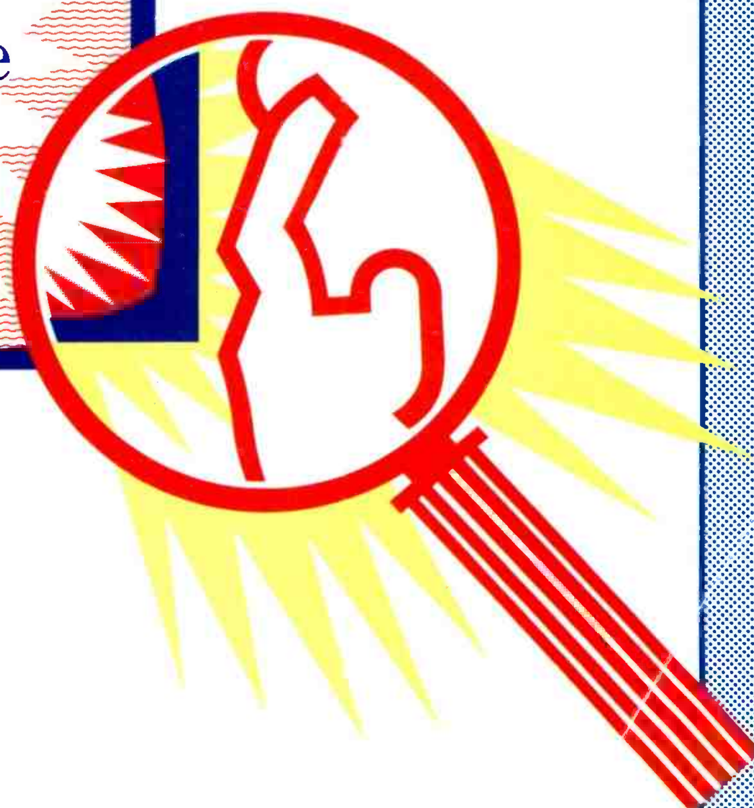
DECEMBER THE BUSINESS OF COMMUNICATIONS 1987

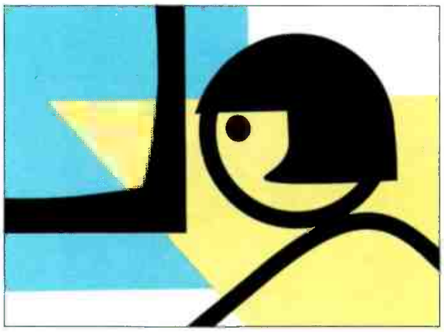
1988 FIELD GUIDE

To The Electronic Environment

SPECIAL REPORT

The Audience Under Scrutiny





CHANNELS
THE BUSINESS OF COMMUNICATIONS
VOL. 7 NO. 11 December 1987

Field Guide '88

PERSPECTIVE

THE PLAYERS

THE AIR

SPACE

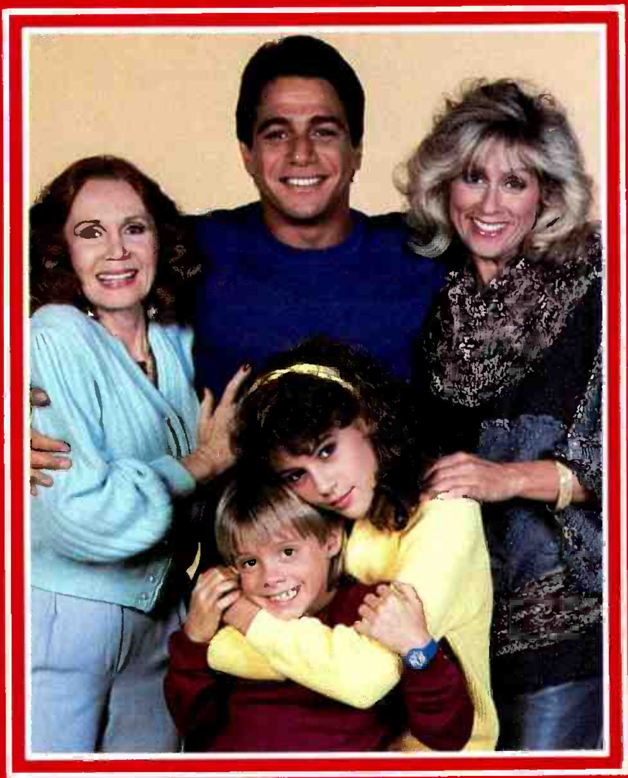
THE WIRE

THE HEARTH

Cover illustration and illustration above: JAVIER ROMERO

4th Season…
Best Ratings Ever.

The smart money is on "Who's The Boss?"



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AMAZING.
INCREDIBLE.
FANTASTIC.
IN OTHER WORDS,
MARVELOUS!
New World Television presents
your all-time favorite superheroes...
now together for the first time!
Available for fall of 1988.
NEW WORLD TELEVISION GROUP
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FROM THE EDITOR

The 1988 Field Guide

The sixth annual *Channels Field Guide*, while retaining the components that have made it basic reading for both media experts and newcomers, continues to change and evolve as *Channels* itself—and more importantly, the industry we cover—does as well. Last year's *Field Guide* unveiled a new design, and this year's annual state-of-the-industry report updates it with several new features and wrinkles.

The *Field Guide* retains its primary sections, which divide the fields and technologies being analyzed. Viewing media fields through these sections—the Air, Space, the Wire and the Hearth—helps bring organization to a changing world that by its very nature requires the kind of annual, detailed reassessment that is the backbone of the *Field Guide*.

But we've also committed more effort than ever to putting the specific fields and technologies covered here into a broad context—both from a business point of view and from the important personality side of the industry. We've expanded both the Perspective and Players sections of the *Field Guide* as part of our ongoing efforts to more thoroughly assess the state of the television, radio, cable and production businesses.

That's because on their own, the technologies that help drive and define the modern media are only part of the story. The audience, programming and advertising-dollar flows are the factors that generally define success and failure, subjects covered in considerable detail in the Perspective section. In the expanded Players section, the *Field Guide* provides more information than ever on the movers and shakers in communications. After all, few businesses are as driven by personalities as the media field. And it is through broadcast journalism, a new topic in the *Field Guide*, that the impact of the media in our lives is most clearly highlighted.

Also adding to the mix of the 1988 *Field Guide* is a cover story or theme for the edition: a look at the media audience, and in particular why that audience is being diffused and is changing just as the technology that measures those numbers is also going through revolutionary upheaval. That's 1988's most vital story. Written by Steve Behrens, *Channels* senior editor and coordinating editor of the *Field Guide*, it should help focus the coming year's agenda for people in the industry—and for those of us at *Channels*.

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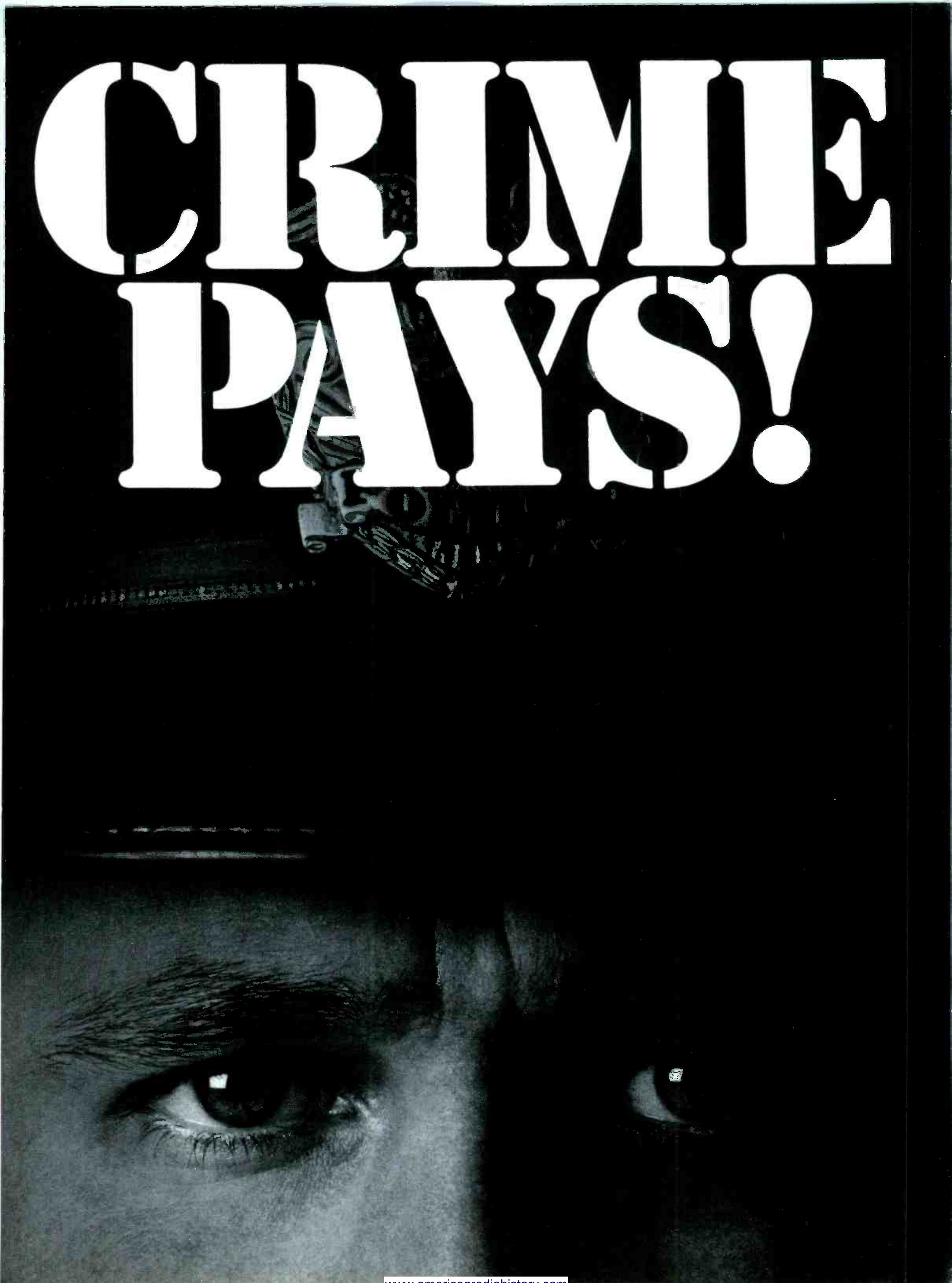
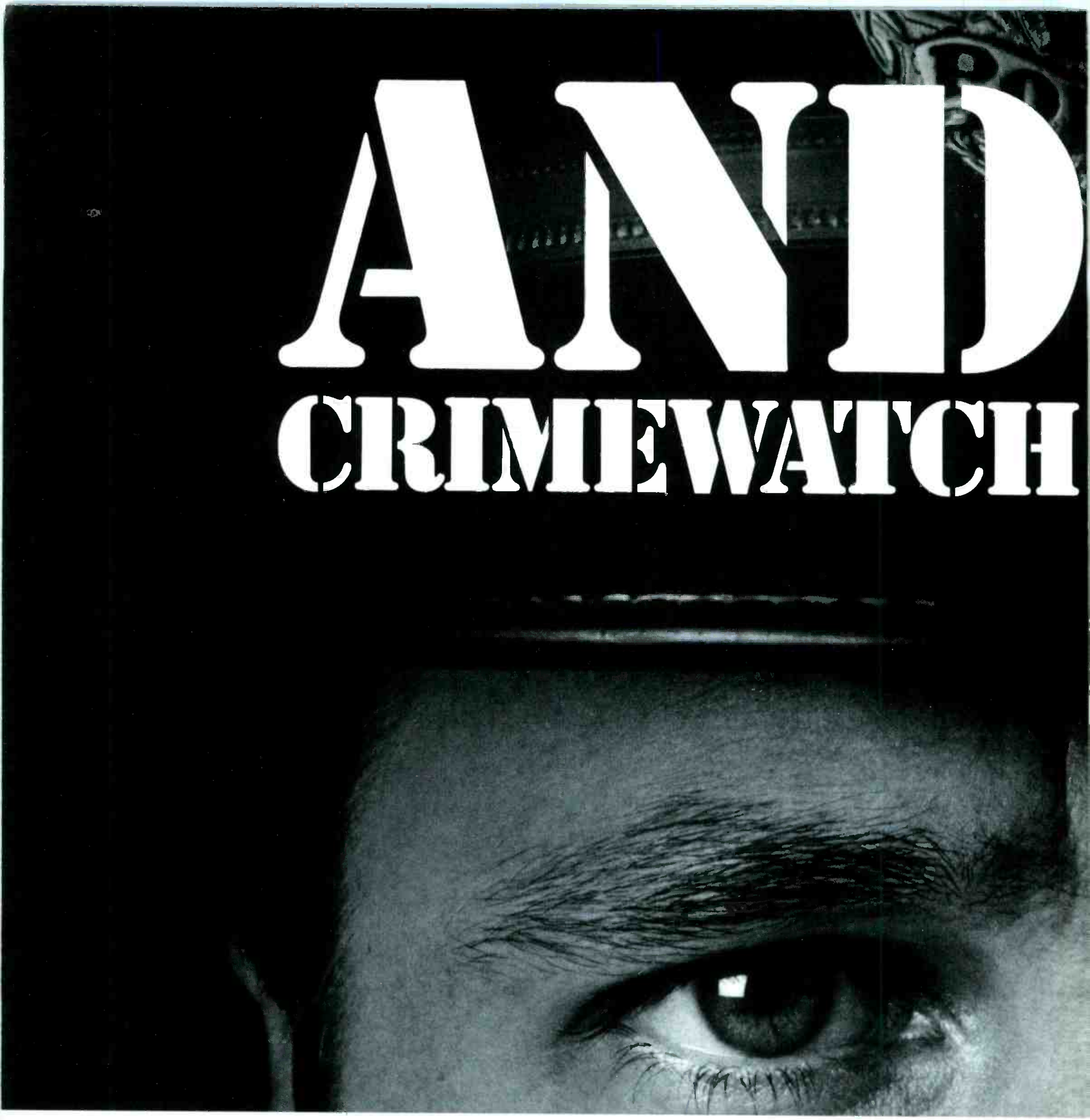

CRIME
PAYS!



AMERICA'S NIGHTLY

VIEWERS ARE EAGER TO TURN TO CRIME!

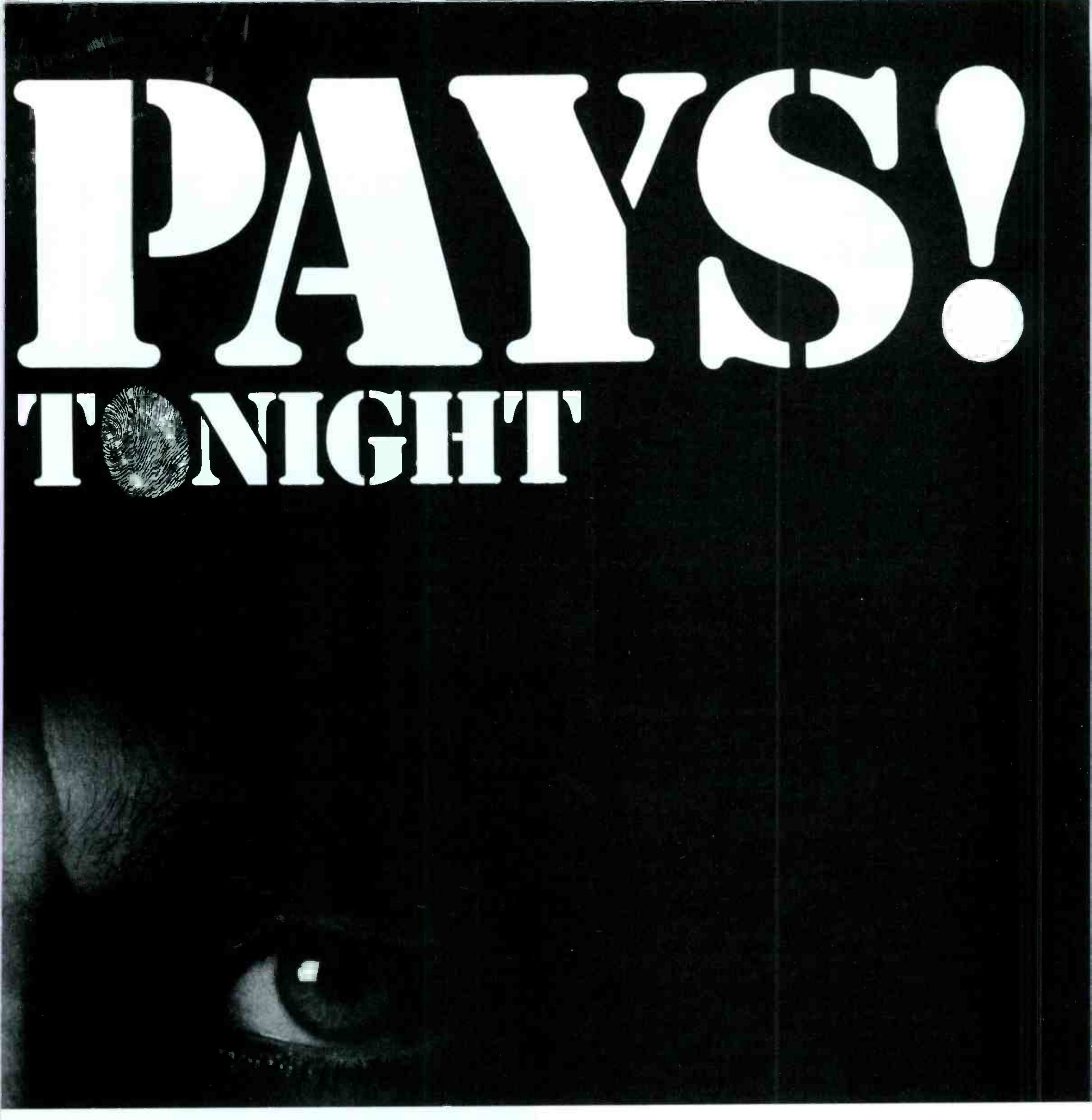
Across the country, the network dramas and syndication specials that capture the highest ratings are almost always crime oriented. Now, Orion introduces Crimewatch Tonight, a national, network quality program dedicated solely to crime related coverage.

WE CAPTURE IT DAILY!

With a hard-hitting half-hour every weekday, Crimewatch Tonight will cover every facet of crime. From white collar crime to terrorism; from espionage to the mob; from street crime to government corruption; from crimes of passion to crimes of compassion.

THE WORLD IS OUR BEAT!

Fed daily, we'll use the latest satellite technology to deliver the hottest crime stories. Our anchors and field producer/reporters will tackle the world of crime each day, utilizing our own national bureaus, plus TV stations, newspapers and wire services in the U.S. and overseas.



CRIME REPORT

IT'S A CRIME NOT TO BUY IT!
Crimewatch Tonight is Executive Produced by Reese Schonfeld, founding President of CNN. Crimewatch Tonight is a natural companion to your news programming as well as powerful counter programming to game shows, magazines and sit-coms. With a unique format and highly focused concept, Crimewatch Tonight delivers the payoff in Prime Access.

Crimewatch Tonight.
When you're ready to deal in hot goods,
call Orion, your partners in crime.

ORION®
TELEVISION SYNDICATION

PERSPECTIVE

THE AUDIENCE SCENE

A Finer Grind from the Ratings Mill

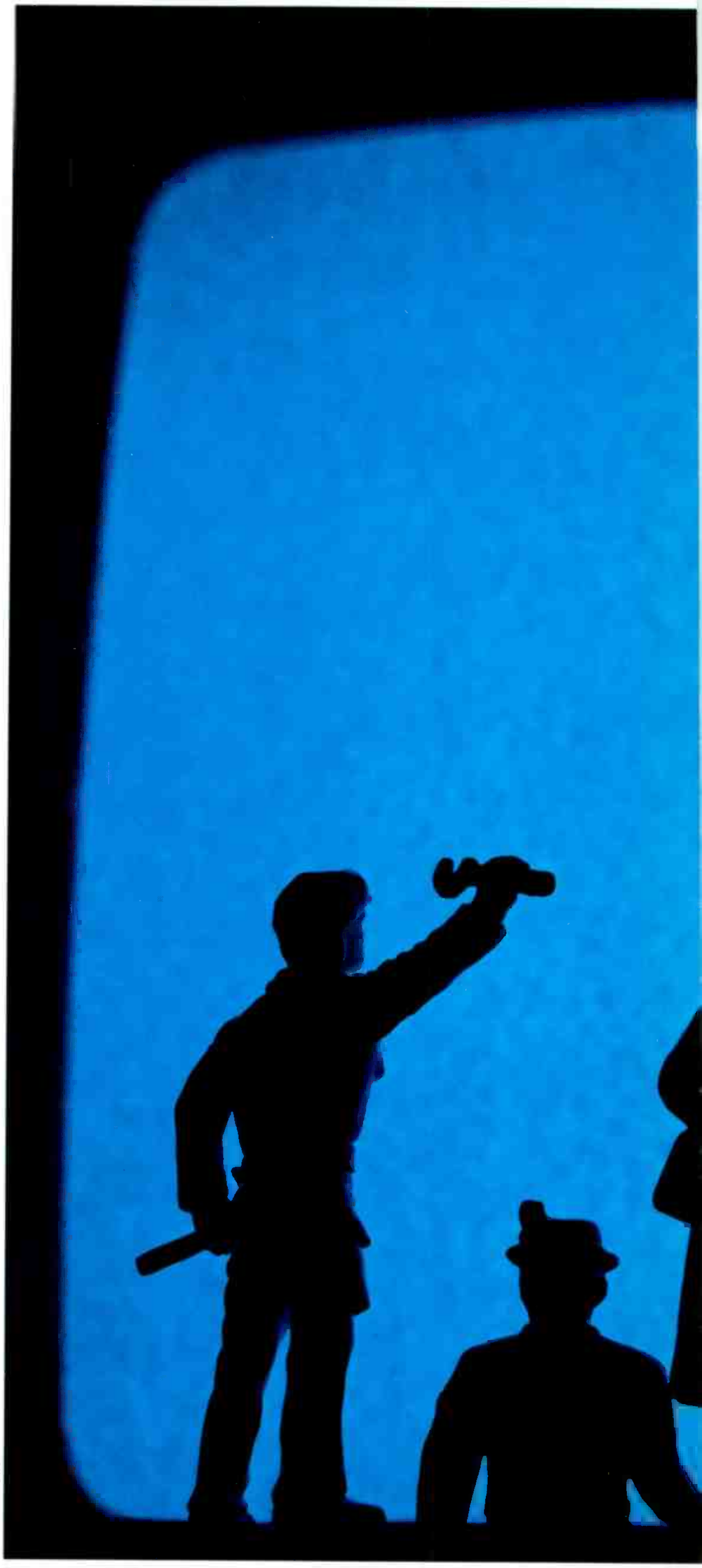
Every number tells a story, and TV today has dozens of channels looking for stories to tell advertisers

Throughout the land, with an intensity never seen before, numbers specialists are crunching, massaging, slicing and dicing the TV audience. Sellers and buyers of advertising time are looking to the numbers for an edge on the competition.

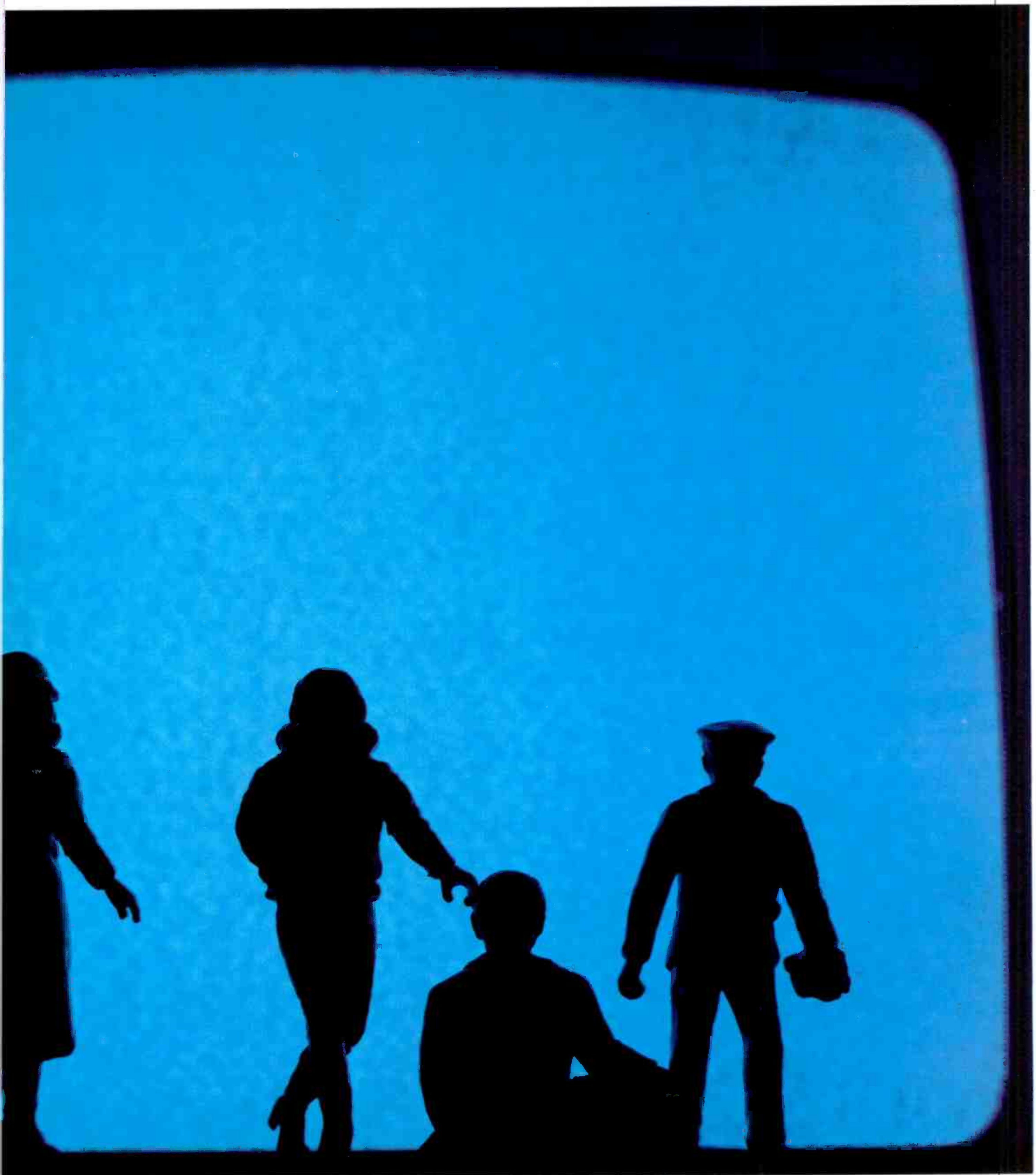
In an era when the average 30-second prime time network spot costs well over $100,000, the ad agency wants to have at least a printout of demographics testifying that it will reach a good lean cut of its target consumers.

And on the selling side, the broadcast and cable people looking most intently at the numbers are the ones who rank third in town—or fourth or 24th. The guys who *aren't* on top—"these are people who have to be creative," as a ratings-service salesman says. Today there are so darned many time sellers who *aren't* on top, compared with the three-way race in TV's not-so-distant past. They need to have their audiences documented, and people meters have come along to do the job.

Though the ratings services have suffered their share of denunciation lately, it might not be too early to announce, very tentatively, a Golden Age of Ratings. "The research companies are doing very good jobs, the best they've done in years," says Charles Green, manager of media research for Thomas J. Lipton Co., a big food advertiser. One reason is the entry of Britain's AGB Research, now competing with Nielsen Media Research in national TV ratings. The competition helps, says David Poltrack, vice president of marketing at the CBS-TV network. "We will probably see," he says, "the most scientifically thorough analysis of who's watching television."



JAMES WOJCIK

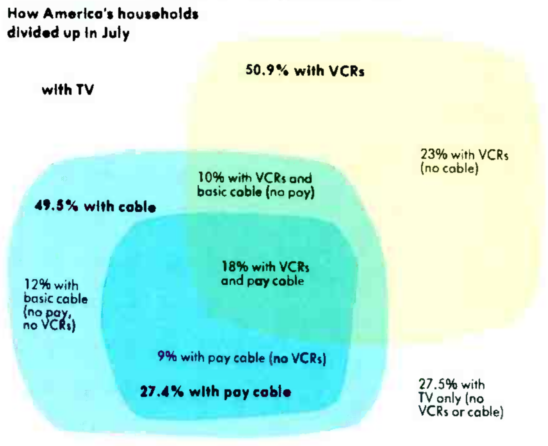


This doesn't mean the networks love everything about people meters. Only CBS has signed up with AGB so far, and the new service is hardly winning friends by coming up with ratings a point or two below Nielsen's. All of the big three bought Nielsen's national service, but ABC paid Nielsen an extra $500,000 (above the $4.5 million paid by CBS and NBC) for guarantees and possible rebates if Nielsen's sample becomes unrepresentative of the population or fails to meet other standards.

And CBS's Poltrack suspects, out loud, that the sample of viewers with people meters has an inherent bias toward overcounting viewers comfortable with pushing buttons on high-tech gadgets. That explains to him why Dan Rather's *CBS Evening News* tops the other network newscasts in people-meter ratings despite having slipped to third place under Nielsen's old system. Viewers of early newscasts are an old crowd by any measure, but CBS gets the upscale oldsters, Poltrack speculates, who aren't put off by gizmos.

VIEWING OPTIONS, 1987

Today, barely more than a quarter of U.S. households with TV sets can watch only what comes over the air. Half own VCRs, half are hooked up for cable TV and a good portion have both. The figures below are all percentages of some 87.4 million TV households—Nielsen's 1987 estimate.



Source: Nielsen Media Research (some figures are rounded)

Rather's win had confounded armchair ratings analysts because it ran against the conventional wisdom that people meters would overcount yuppies and hurt CBS, with its older-skewing audience. Indeed, the network's early Nielsen people-meter ratings last season (through July) were a full point lower in both prime time and daytime than its ratings under Nielsen's old system. Those comparisons are old news now, however: The old Nielsen meter/diary system ceased operations Sept. 13. Though CBS still has problems with aspects of the people-meter system, says Poltrack, "We're no longer debating the new system versus the old system."

The technological breakthrough behind all this wasn't the people meter itself, says Barry Kaplan, AGB's v.p., sales and marketing. It was the communications satellite, which began beaming down more and more cable networks over the last decade. Viewing fragmented. Family members dispersed to their own TV sets. Nielsen recognized that its diary-keepers, the source of its demographic data, wouldn't reliably report viewing on all those new channels and began developing people meters in the late '70s. The great thing about people meters, says Nielsen executive v.p. John Dimling, is that the sample viewer, with no diary to keep, doesn't have to know exactly what he's watching.

Another great thing, according to ratings experts, is the larger sample size that comes along with people meters. Nielsen's old system took its set-tuning data from, at most, 1,700 meters in sample households, and its demographic data from about 800 diaries filled in by an entirely separate sample. Now both pieces of information come from about 2,000 people meters fielded by Nielsen and another 2,000 by AGB. By next fall, Nielsen plans to have at least 4,000 and AGB 5,000. Compared to a survey of 800 households, a survey of 5,000 can reliably show a lot more detail—can more accurately slice those fraction-of-a-point ratings in the 1980s' fragmented audience.

"The people meter is a money commitment to the idea of fragmentation," says Peter V. Miller, a surveys specialist at Northwestern University. "What you get is the ability to measure subgroups that have not been measured precisely before." A subgroup that springs to mind is the rich.

The highest income group Nielsen currently isolates in its ratings is the rather broad $40,000-plus group. "If the advertiser is BMW," says Poltrack, "$40,000-plus isn't going to cut it. The *car* costs more than $40,000." But when the sample gets up to 4,000 or 5,000, the ratings services will be able to pinpoint finer details such as the narrower slice of viewers with incomes above $100,000. Among those folks, Poltrack expects *60 Minutes* "will go through the roof."

Once Nielsen reported on only a handful of demographic groups. Now subscribers get data on 38 "building blocks" that can be grouped using the client's own personal computer into 380 combinations. When agencies ask for audience projections on spot buys, women 25-to-54 is the target demo they want most often, says George Feldman, v.p. at Katz Television. That age group, counting both sexes, will grow by 10 million people in the last five years of the '80s, says Nielsen, providing "unprecedented effective demand for virtually all consumer goods and services." CBS, with its oldish audience, had started talking up 25-to-54 in the mid-'70s.

Before that, however, the advertisers' sweetheart was its first demographic crush, the 18-to-49 viewer. "In the early 1960s, when ABC started to establish itself as a network," says Poltrack, "it went after the young male audience, the one most disenfranchised by the programming on CBS and NBC." ABC had fewer and weaker stations than the senior networks, but saw its hope in young demographics. "When you're number three," says Green, "you change the rules of the game."

EQUAL OPPORTUNITY TUNING

In homes where basic and pay cable channels are available (right), nearly half the rating points last season went to channels other than the Big Three networks.

	Primetime ratings, 1986-87	
	...among all TV households	...among those subscribing to pay cable
ABC	13.1	12.3
CBS	13.8	12.1
NBC	16.0	15.4
Ind. stations	6.9	6.0
Public TV	2.6	1.8
Basic cable nets	4.4	8.6
Distant signals	4.1	5.3
Pay cable	3.2	11.4

Source: Nielsen Media Research

ABC was Jamie Kellner's favorite network when he was a teenager. Now he's president of Fox Broadcasting, which is emulating ABC's old youth strategy with shows like *Werewolf* and the post-Joan-Rivers, rock-oriented *Late Show*. For makers of tight blue jeans, it's a lean audience: no graybeards, no "waste." Demos are critical to many other shows as well. National advertisers pay a premium that helps keep *St. Elsewhere* on NBC. Local advertisers pay higher costs-per-thousand to reach viewers of *PM Magazine* or *Entertainment Tonight*, says Jack Poor, senior vice president at Blair Television, because they have "an upscale, newsy type audience."

In Boston, says Poor, a rating point on

7 ft.

6 ft.

5 ft.

4 ft.

3 ft.

2 ft.

Look who we put under "household" arrest.

You'll never find a more

Cagney & Lacey has got what it takes:

- A loyal audience of men and women
- A growing audience of teens and kids
- Top numbers in first-run and repeat
- An audience profile that advertisers pay a premium to reach

It all adds up to one thing—ratings success for you in syndication.

Put Cagney & Lacey in your lineup.

To settle for anything less is a crime.

committed audience.

Cagney & Lacey

ORION
TELEVISION SYNDICATION

the late news costs an advertiser more than on the early news (and nearly as much as in prime time), because the old folks have been going to bed while the young men and the affluent stay up. Nobody pays extra to reach old folks; earlier in the day there are lots of them watching, more than are desired. "The longer a show is on, the older its audience gets," Poor observes. "It will happen to *Wheel of Fortune* eventually." A moment of silence, please.

Knowing these things about the audience isn't enough, however. For one thing, Nielsen currently counts people who are videotaping a show as viewers, even though many never watch the tape. Next year both Nielsen and AGB will start electronically monitoring VCR playback in their samples. The agency Bozell, Jacobs estimates the current system adds nearly a point to the ratings of such popular shows as *Dallas* and *Cheers*. (Next year, as data dribbles in days after air date, a show's rating will grow and grow.) The VCRs' people meter will even report when a commercial has been zapped while being taped.

But do people watch the commercials, either on the tape or during the original broadcast? Agencies want to know that as well, and are watching closely the R.D. Percy & Co. experiment in New York, which promises to provide ratings for commercials. "Channel switching during a commercial is the most powerful thing a viewer can say about advertising, and Percy can measure that down to the second," says Lipton's Charles Green.

ANOTHER SAMPLE HEARD FROM

Though Nielsen's people-meter sample reported lower average ratings than the company's old meter system during the third quarter of 1987, the differences for each network were all less than a full rating point—hardly enough to drive advertisers away. The gap had been greater early in the year when the sample was smaller, but by July people meters were in the full 2,000-household sample.

Daypart	Increase or (decrease) in household rating points as measured by Nielsen people meter, compared to old Nielsen system, July through September 1987			
	ABC	CBS	NBC	Combined networks
Morning shows	.4	(.1)	(.7)	(.4)
Daytime, Mon.-Fri.	.6	(.3)	—	.3
Early evening news	(.6)	.9	(.9)	(.6)
Prime time	—	(.5)	(.6)	(1.1)
Late night	(.4)	(.4)	(.5)	(1.3)
Saturday morning	.2	(.3)	(.3)	(.4)

Source: Third quarter 1987 Nielsen data compiled by CBS.

How can an advertiser avoid these rowdy audiences that misbehave when commercials come on? For the answer, a small company called Television Audience Assessment tiptoed beyond headcounting into "qualitative" research. When the viewers rated a program high in "impact"—when they said they learned something from it or were touched by it—TAA found that 74 percent stayed in the room during the commercial breaks. When the viewers rated the show low in impact, just 58 percent stayed in the room.

If the theory works, some shows would give advertisers an edge. In TAA's most recent survey last spring, viewers understandably gave the Holocaust documentary *Shoah* the highest index of impact (87), followed by other PBS shows, NBC's *Highway to Heaven* (73) and other dramas, *The Cosby Show* (58), on down through action shows (40s and 50s) to the more cartoon-like sitcoms and actual cartoons (*Garfield Goes to Hollywood*, 27). PBS had commissioned the survey, but some on Madison Avenue also endorse qualitative ratings and mourn TAA's fate: It has virtually disbanded after failing to sign enough clients.

Other numbers experts hotly dismiss qualitative ratings. Gale Metzger, president of Statistical Research Inc., speaks for many who believe plain old ratings are a fair poll of viewers' feelings. "The act of turning on the set," says Metzger, "reflects a qualitative judgment."

Instead of pursuing qualitative nuances in viewer reaction to shows, more research firms are pushing a radically different approach that would skip over demographics, psychographics and any other numbers that help advertisers zero in on their most likely customers among the viewers. Since May, Arbitron's pilot installation of ScanAmerica people meters in Denver has been providing what they call "BuyerGraphics"—the percentage of coffee buyers, for instance, who tune in a program. Because both viewing and buying data come from the same sample, the service is called "single source." Arbitron's plans to go nationwide with ScanAmerica are on hold, but Nielsen has announced a national "single-source" service to start up in '88.

It's no coincidence that market-research and audience-research companies are merging at the same time the two fields are coming together through single-source samples. Over the past year, Arbitron's parent, Control Data Corp., acquired Broadcast Advertisers Reports and agreed to buy Burke/SAMI—two big data suppliers for ad agencies. And in August, Nielsen's parent, Dun & Bradstreet Corp., agreed to buy Information Resources Inc., a fast-rising firm that pioneered single-source data in test markets.

If single-source data turns out to be reliable, says Steve Singer, v.p. and director of media research services for BBDO, broadcasters may someday find themselves guaranteeing audience in terms of coffee or pantyhose buyers. But most broadcasters, and many agencies, are skeptical. The people who are pushing hardest for advanced audience research, besides the research companies, are the advertisers, says CBS's Poltrack. "Advertisers don't know how well advertising is working, and they *want* to know," he says. Agencies, however, are wary of unreliable new research, Poltrack says, and they're not keen on having any more direct evaluation of their ad campaigns.

As for broadcasters, few are eager to answer to any additional "report cards" on their performance in smaller target groups, as Poltrack says. Blair's Jack Poor agrees: "You'll find broadcasters resisting. Pretty soon, they'll be selling a tiny portion of the audience they're delivering. They're not narrowcasters, they're *broad*casters."

In fact, some of the highest premiums paid in TV are paid to reach the big, broad network audiences—*The Cosby Show*'s audience, for example. AGB's Barry Kaplan explains that it takes *Cosby*'s 30 rating to reach 30 percent of TV households with certainty. It would be cheaper to buy 10 spots in syndicated shows that get 3 ratings, but they'd have more "duplication" and less total reach—many viewers would see the ad more than once and fewer overall would be exposed.

Still, when the advertiser wants to sell beer to men 18-to-34 or BMWs to $100,000-plus households, the networks won't turn away the sale. Cutting the audience into finer slices will let the networks differentiate each show's strengths, says Poltrack. Every show has *some* selling points, some stories the salesperson can tell. "Numbers make stories," says BBDO's Singer. "The more numbers you have, the more stories you can tell."

STEVE BEHRENS

Uncovering...

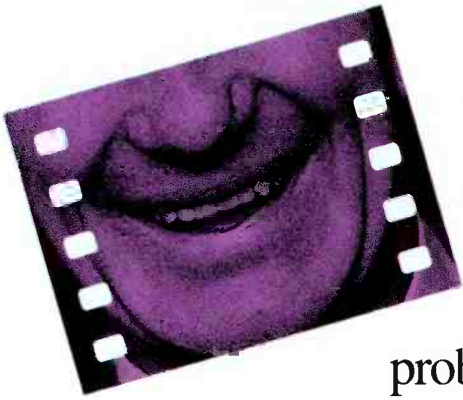
tomorrow's trends today. It takes superior research services that integrate data and bring your audience into sharper focus . . . hi-tech capability to help you detect the slightest changes taking place . . . all the tools you need to develop new business out of tomorrow's trends. Only one company has it all.

ARBITRON RATINGS

We know the territory.

If You're Looking For New Pay-TV Growth...

Listen To Some New Pay-TV Subscribers.

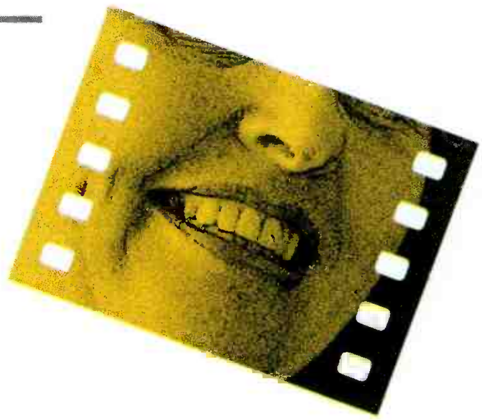


"Somebody screened these films with foresight and knowledge. I'm just glad that our local cable station steered us to Festival. If it weren't for Festival, we probably wouldn't have pay TV in the house."

Robert Baumert

"My mother and father are in their sixties, and they enjoy Festival. We're in our forties, and we're happy with it. And my ten-year-old likes it! The movies are geared for adults, but a child can enjoy them, too. It's good family entertainment."

Sarah Jane Watson

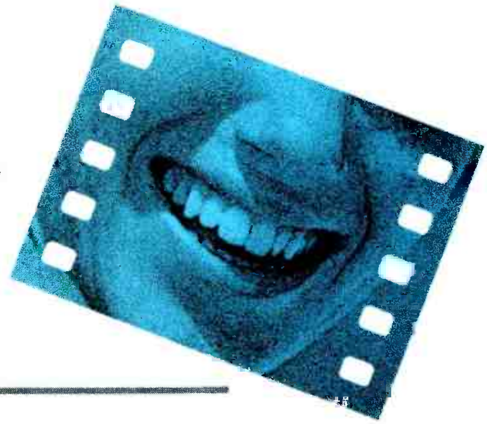


"I must tell you how much both my husband and I enjoy your Festival channel. It was a good investment for us; we watch it all the time."

Mary Larson

"We honestly look forward to looking at Festival because it's something the whole family can enjoy together. We are really sold on Festival. Absolutely sold on it."

Doreen Sharp



Satisfied subscribers are a big reason Festival is expanding the pay-TV category in systems just like yours. By providing the kind of high-quality entertainment many viewers respond to, Festival is converting up to 25% of systems' basic-only subscribers to pay. And it's proving to be virtually "spin-proof" with less than 5% cannibalization of other pay services. What's more, Festival is also pairing perfectly with Disney, with buy-rates as high as 30% in Disney-only households.

So, if you're looking for new pay subscribers — look no further. Call your HBO regional representative today — and hear how Festival can generate incremental pay-TV business for you.

Festival

The New Way To Grow Pay Television

The Path Once Taken

For better or for worse, U.S.-style television is the model for countries around the globe

The wave of change that swept over the American TV industry in this decade now has hit Western Europe and parts of Asia with much the same force, rocking the foundations of the old broadcast monopolies. At the rate of things, in the next two or three years American-style commercial TV, with all it entails in competition for audience and ads, will prevail in Europe while touching much of the Third World.

This is not just a detail of interest for world travelers. The creation of an infrastructure for the global marketing of products is nothing short of revolutionary. Consider that countries such as those of Scandinavia, which never have permitted TV advertising, are yielding to the inevitable. India has adopted commercial TV and so has Red China, logically the world's largest market in the next century.

What happens abroad with commercial TV is sure to affect the U.S. industry. Until now, it has assumed the luxury of insularity, having a home market large enough to support its programs with little need for imports. But the rest of the world is larger than the U.S., and so attention must be paid.

The pattern for change in Western Europe was almost identical to ours: Technology begat deregulation; deregulation begat commercial competition and a proliferation of channels; and this begat a new breed of entrepreneur. As HBO sparked the change in the U.S. a dozen years ago, when it went up on a satellite and became the first instant national network, so in Europe the catalyst was the first pan-European satellite network, Rupert Murdoch's Sky Channel. Wholly ad-supported, Sky was launched in 1982 as an English-language service to cable and SMATV systems on the continent. Although it was not a smashing success, and continues to operate in the red, its very existence sent a powerful message across Europe: Television no longer could be contained by national borders.

All governments took note that their national policies for broadcasting were obsolete in the satellite age. And some reasoned that if advertising was going to be beamed into their countries for a foreign operator's profit, they might as well change the rules for their own economies' benefit.

France took the lead by privatizing the leading public channel, TF-1, and authorizing two new commercial broadcast channels plus a (largely) subscription-TV service, Canal Plus, which quickly became one of the big success stories in Europe's period of transition.

A comprehensive 1987 study by Logica Consultancy Ltd. in England counts 16 terrestrial channels in Western Europe that are entirely supported by ad revenues today (separate and apart from Sky Channel, Super Channel and more than a dozen other commercial satellite networks). The 16 represent a third of the 48 terrestrial channels in 17 countries of Western Europe. But an additional 20 broadcast channels are partially funded by ads, so as of now three fourths of Western Europe's broadcast channels are outlets for ads.

And in almost every European country, more commercial channels are on the way. The study predicts that before 1990, half of Europe's channels will be entirely ad supported. Others forecast 50 commercial European channels in the next two years, most of them less than five years old.

This manic growth resembles the American experience early in the '80s, when new cable networks and UHF stations were born by the day. There came the inevitable shakeout, and that's anticipated for Europe as well when growth passes the saturation point.

Such a rapid expansion of high-cost ad media summons the question of where the programming will come from. By 1990 Europe's TV channels are expected to consume around 500,000 programming hours a year. And then there is the question of where all the advertising will come from. No one doubts that the new channels will import much of their programming, mainly from Hollywood. In Europe's new competitive environment, maximizing audiences is the game—a game long since mastered by American producers. That it's a lot less expensive to buy a series in foreign syndication than to produce one from scratch is attested to by the fact that about a third of Europe's programming today is imported. Almost half the imports are from the U.S.

The prospect of American dominion of Europe's airwaves causes some unease in the European community and has prompted the Common Market's commission on broadcasting to propose a quota on non-European imports. But John Howkins, executive director of the Institute for International Communications in London, doubts the proposal will stick, because powerful people within Europe's emerging commercial broadcast industry don't want it to. Besides, he says, "There's a lot of smart financing today, deals made in a new manner, the kind of financing that leaps over any quota barriers."

Some 15 American companies, including the three networks, are involved with investments in Europe's commercial industry. Others include Viacom, Worldvision, Lorimar-Telepictures and Disney. But if it seems that the U.S. stands to conquer Europe's commercial television, the ratings tell another story. More popular overall than most U.S. shows are domestic entertainment programs of distinct national flavor. Moreover, a natural counter to U.S. dominance are Europe's new vertically integrated media organizations engaged in program production and distribution, as well as channel ownership. Many of these groups were created by publishing tycoons such as England's Robert Maxwell and France's Robert Hersant, who were quick to recognize the need to diversify in this era, and to capture the advertising likely to be siphoned from their print properties.

BRIAN AJHAR

PERSPECTIVE

But the leading media baron—the first of the breed—is Italy's Silvio Berlusconi, whose Rete Italia not only controls the three commercial networks in his native country but also owns a studio in Spain, has a substantial stake in France's La Cinq and struck a deal with an American distribution company, Harmony Gold.

Italy has a running start on the rest of Europe. Commercial TV arrived there in 1975, when the courts opened the way to unregulated ownership of private stations. Berlusconi bought the largest stations in the main population centers to form three commercial networks. He got around the law prohibiting the interconnection of commercial stations by distributing programs via cassette. Logica observes that TV ad revenues in Italy soared 500 percent between 1976 and 1985, leading to the conclusion that where TV is allowed to be commercial, the dollars will follow.

That may be the case for national advertising, drawn away from print. But what is less certain is when the new global advertising will gather sufficient momentum to propel the various pan-European channels, including those coming on DBS. Not that the desire is lacking on the part of advertisers—Coke, Pepsi, Exxon, Gillette, Kodak, Procter & Gamble and Johnson & Johnson are among those marketing their products worldwide. But many products are stalled by being sold under different brand names in different countries. Some, by their nature, need different selling techniques in each country. Others are stymied by restrictions against their promotion in certain parts of the world.

There is, however, much room for advertising growth in Europe. As the Logica study points out, U.S. TV advertising in 1985 came to $21 billion; in Western Europe, with a third more population, TV ad revenues hit a mere $5 billion. To a large extent this is because countries such as the Netherlands permitted less than 20 minutes of advertising a day, and others restricted it to periods outside prime time. With the proliferation of commercial channels, Saatchi and Saatchi Compton forecasts a growth in Europe's TV advertising to $7.5 billion by 1990, while J. Walter Thompson predicts $9 billion and deems that conservative.

The programming front, meanwhile, is jumping with international coproductions, much of them through the phenomenonal rise of independent producers. When most television was state-operated, virtually all production was done in-house. Commercial channels have opened the field to independents, and in England the Thatcher government has boosted their cause by decreeing that all broadcasters, including the BBC, farm out at least 25 percent of their programs to outside contractors.

Independent producers in any country can work on a more ambitious scale if they join in foreign partnerships to reduce costs. In a classic coproduction deal, England's Yorkshire TV, France's Hamster and Germany's Beta-Taurus collaborated on an espionage series with British running leads, each company producing four episodes. Thus, each pays for four and receives 12.

In the U.S., ABC has taken a first step toward internationalizing by signing with Italy's RAI-TV for three made-for-TV movies. In the meantime, Britain's commercial stations have penetrated the U.S. cable market with two-hour TV movies featuring American stars and often on American themes.

It may turn out that Europe's new commercial channels will feed heavily on old American series. But in exchange, U.S. networks and Hollywood studios may be building their futures on foreign coproduction. In the end, it should all resolve as World Television, and that would be hard to dislike.

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Beyond the American Screen

A 'round-the-world tour of international TV programming and video developments

Australia. Last summer's media-ownership-and-control law, which allows a company to own TV stations up to a 60 percent maximum national audience reach and forbids anyone from owning a major TV station and newspaper in the same city, sparked a wave of buying and selling that has changed the makeup of the Australian television scene. Alan Bond, a company called Northern Star Holdings and Christopher Skase have replaced Rupert Murdoch, Kerry Packer and John Fairfax Ltd. as the three largest players. Dominance of the airwaves is particularly important since free TV is pretty much the only game in town. Cable television is not expected before 1990.

Brazil. Brazil is unable to pay the interest on its massive debt, so it's no surprise that there are few dollars available to purchase foreign programming. This, combined with a strong sense of nationalism, means that most of the country's television is produced domestically. For example, 95 percent of Brazilian network TV Globo's 5:30 to 11 P.M. schedule is created internally. All stations can take advantage of low labor costs and the best production know-how in Latin America to export shows around the world. Led by its expansion-minded founder, Roberto Marinho Sr., TV Globo continues to dominate the scene, recording as much as 80 percent of the country's TV ad revenue. TV Globo has entered the U.S. market with The Portuguese Channel, watched by some 220,000 subscribers in Massachusetts and Rhode Island. Home video is on the rise in Brazil, but an estimated 75 to 80 percent of the prerecorded cassette business is controlled by pirates.

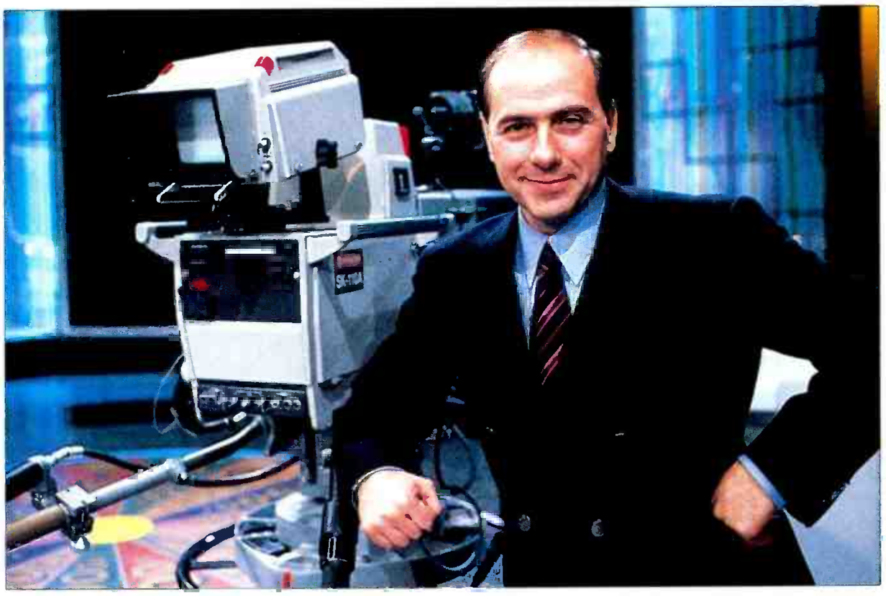
Canada. The state-run Canadian Broadcasting Corp., although operating at a deficit, maintains its status as the most accessible Canadian television service, boasting a 99 percent market reach. Large num-

EVE ARNOLD/LAIASON

TV in China: Slowly adding Western programs to its government-influenced mix.

bers of viewers still turn to its competitors, however: CTV, Global TV and TV Ontario, along with a variety of cable networks. Yankee programs continue to dominate Canadian viewing, and the government continues to try and stem the influx. In a switch, the U.S. industry has developed a growing dependency on Canada. Chiefly because of the favorable dollar-to-dollar exchange rate, numerous U.S. network and syndicated shows are being shot there. The attempt now will be to export Canadian programming, which could be aided by technological innovations such as the world's first miniseries to be shot in high-definition video: *Chasing Rainbows*, a 14-hour series about two World War I soldiers, to be aired in 1988. Canadian broadcasters face pressure to increase domestically produced prime time drama by the 1991-92 season, but budget increases are far below the inflation rate. Meanwhile, competing entertainment sources are growing rapidly: VCR penetration levels rose from 23.4 percent in '85 to 35 percent in '86, and cable systems have increased from 562 in '81 to 950.

F. MEYLAN/SYGMA



Silvio Berlusconi: His grasp includes ventures in Italy, France, Spain and West Germany.

China. China Central Television runs the show, supplemented by local, government-owned channels in large cities. About half of all airtime is devoted to political programming—often consisting of longwinded speeches. As part of the preparations for the nationwide sixth annual National Games, held in the southern Chinese province of Guangdong in November, authorities dismantled hundreds of thousands of TV antennas tuned to Hong Kong and the nearby Portuguese colony of Macao. Western programs are beginning to air legitimately, however. Worldvision sold 24 episodes of *Little House on the Prairie* to CCTV, which in turn contracted IBS, an American firm, to sell advertising time in the series to multinational companies. Thirty-second spots went for $10,000 apiece. *Little House* was seen by more than 100 million Chinese, and negotiations are underway for a second season of the show (for which Worldvision reportedly would sell the advertising time itself). Lorimar-Telepictures also has made a significant sale of programs to China.

France. In just three years France has deregulated its TV industry, doubling its networks from three to six and placing four of them under private ownership. The question now is whether ad revenues can rise fast enough to support the four. The expected launch of the satellite TDF-1 could add another four private channels as early as this spring, although given the history of European DBS, further postponement is likely. Canal Plus, an over-the-air pay-TV service that relies heavily on theatrical films, is the industry's most impressive success. Losses totalled $100 million during its first two years, but in its third fiscal year it could boast 1.9 million subscribers and profits of about $32 million on revenues of $555 million. TF-1 has begun airing two U.S. soap operas, *General Hospital* and *One Life to Live*. And *La Roue de la Fortune*, the French version of King World's American hit *Wheel of Fortune*, has become the country's top game show. The lifting of a 33 percent tax on VCRs has helped the French video market. About 3 million videocassettes were sold in 1987, compared to only 850,000 in 1986. Cable wiring continues to move slowly, however. Fewer than 20 percent of French households will have cable during the next ten years.

India. The Indian people are in the midst of a love affair with television since the arrival of commercial broadcasting. TV sets and VCRs have become popular dowry items. And since *The Lucy Show* debuted in India, hundreds of baby girls have been named Lucy—not exactly a traditional Indian name. On Tuesday and Saturday evenings, when the wildly popular soap opera *Buniyaad* airs, the country's frenzied pace slows to a virtual stop. In just three years the number of TV sets has jumped from 6 million to more than 10 million. By 1990, the number of evening viewers is expected to jump from 45 million to 260 million people. The government strictly controls TV fare, particularly news, so viewers don't see the latest violent clashes between Hindus and Muslims. A special by U.S. columnist Jack Anderson, *Rajiv Gandhi's India*, made with government approval, was canceled one hour before transmission. There are 872 languages and dialects in India, but most shows are in Hindi, leading many to urge that more broadcast time be turned over to the states to produce television programs in their local tongues.

BRUCE MACAULAY

Canada's coup: Hi-def *Chasing Rainbows*.

Italy. Another year has gone by without the passage of an Italian broadcasting bill, and after all this time there's little reason to think legislation will be enacted any time soon. In this regulatory vacuum, the state-financed RAI continues to be the only network allowed to broadcast live, although competitor Rete A recently challenged the law by going on the air with a national news report. If a new law *is* ever enacted, rumor has it that Silvio Berlusconi might drop one of his three non-interconnected networks in exchange for the right to broadcast live nationwide. Berlusconi, who recently raided RAI's top talent pool, is also the chief beneficiary of Italy's rising ad revenues. Italian TV has given a huge boost to the recently ailing Italian film industry, financing, at least in part, 80 percent of Italy's film productions. Increased talks on both sides of the ocean continue concerning coproductions. American syndicator Harmony Gold, for instance, has coproductions underway with both RAI and Berlusconi's ReteEuropa.

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Japan. The rapidly changing European environment contrasts dramatically with the calm of Japanese television. The number of TV network stations that could operate per market had been limited to two, though that is changing and more are being allowed. Cable growth is slow at best. Shows from the U.S., which in recent years have not done well, seem to be making a comeback in prime time. *Dallas*, a huge international success, originally flopped in Japan but is doing better after scheduling changes. In October the Tokyo Broadcasting Company began airing *The CBS Evening News with Dan Rather*, scheduling the newscast Tuesdays through Saturdays between 12:30 A.M. and 1:30 A.M. The show can be heard in either Japanese or English through dual audio channels, which many Japanese TV sets are equipped to receive.

Mexico. The four private stations (two national, two regional) owned by the media powerhouse Televisa continue to dwarf the seldom-watched state-run stations. Televisa controls many other areas of entertainment as well and is said to receive about 70 percent of all advertising money in Mexico. It also owns the cable TV outlet in Mexico City, although revenue is limited since advertisements on cable are prohibited. All broadcasters are well aware that nearly 60 percent of Mexico's 83 million people are 25 or younger. A wave of new miniseries focusing on Mexico's past are aimed at acquainting young people with the country's revolutionary and historic leaders. Forty-five percent of all programming, however, is imported, with the most popular shows—*Falcon Crest*, *Dynasty* and *Hill Street Blues*—hailing from the U.S.

Spain. New legislation in 1987 has paved the way for three private channels, although government regulations make many wonder if the Socialist government, which at present controls the two state-run channels, is really interested in any change. The new law mandates that at least 40 percent of a new station's programming be produced in Spain, and that half of its feature films be produced in Common Market countries; commercials may not exceed 10 percent of airtime. The most controversial provision is that no one may own more than 25 percent of any network—or 15 percent if the person or company owns as much as 15 percent of another Spanish media outlet. Ironically, this gives foreigners like Robert Maxwell and Silvio Berlusconi an advantage over Spanish media barons because the foreigners don't have other media properties in Spain. As the owner of a major Madrid studio, Berlusconi already has a foothold here, and Maxwell personally met with King Juan Carlos to lobby for the 25 percent rule.

India: A love affair with television.

R. RAY/MAGNUM

Sweden. Four subsidiaries of the Swedish Broadcasting Corporation control television, national and local radio and educational radio. The two television channels have been restructured and renamed SVT/Channel-1 and SVT/Channel-2. A rivalry has already sprung up between the smaller second channel, nicknamed "the peasant channel," and its better-financed sister, dubbed "the Stockholm channel." Both stations will have international acquisition budgets. The legalization of individual reception of satellite channels at the beginning of 1985, the lack of movement on a much talked about commercial station and the country's high percentage of English-speaking citizens have combined to make Sweden one of Europe's hottest markets for backyard satellite dishes and videocassette sales. TV advertising is not expected unless the Social Democratic Party loses power. That's not considered likely anytime soon, although Swedish advertising agencies are preparing for the eventuality by perfecting their skills producing public service announcements.

United Kingdom. The Tory government has directed both the BBC and the commercial ITV to turn over one quarter of their production to independent producers, or risk legislation that will mandate the transfer. The percentage is being challenged by both networks, which want to maintain control of their programming, but it is certain that British broadcasters will be commissioning more from outside suppliers. ITV has been under attack for its reluctance to open the network to outside producers, as well as for its advertising monopoly that has allowed profits to soar without providing an incentive to produce more quality programs. A move to allow advertising on the BBC has failed; it will continue to be financed (to the tune of about $1 billion a year) by annual receiver-license fees. Meanwhile, Rupert Murdoch has lost some $30 million over the last five years operating Sky Channel, his pan-European satellite network, and he reportedly plans to bring in investors or a partner. Sky Channel currently reaches about 92 percent of cable subscribers in Europe, and its next great challenge lies in easing restrictions on advertising in several of its major markets. MTV launched in August; Superchannel continues to encounter problems.

News may help bridge the U.S.-Japanese gap.

JEFFREY E. BLACKMAN

USSR. *Glasnost* has come to Soviet television in the form of more straightforward reporting of domestic problems, although information on Western events and philosophy is still heavily censored. There are two national channels, one reaching 90 percent of the population, the other, 48 percent. The annual budget for TV and radio combined is more than $3 billion, with over two thirds of the total going to television. Airtime on the channel with the greatest reach is split primarily between films (20-25 percent), news (15 percent), music programs (15 percent), stage productions (12 percent) and children's shows (10 percent). About 170 films are produced each year. Soviet TV purchases some programs from the West, mostly classic dramas, but has a self-imposed ceiling for what it will pay—$15,000 per show or series. Nonetheless, it is slowly becoming a viable market. The national television network has to contend with the logistical nightmare of broadcasting in 45 languages to ten time zones.

West Germany. The two established non-private channels, ARD and ZDF, allow only 20 minutes of advertising per day, but new private cable operations, such as SAT 1 and Luxembourg's German-language RTL Plus, are under no such restrictions. They have other problems, however, mainly weak signals, low ad revenues and meager budgets, compared with their wealthy, state-financed competitors. Thanks to a talk/entertainment program launched late last year by RTL Plus, Germans can now watch early morning television for the first time. ARD and ZDF may soon launch an early morning competitor. Silvio Berlusconi has expanded his media empire into West Germany with a 45 percent stake in Kabel Media Programm Gesellschaft, operator of Musicbox, the 24-hour satellite-to-cable music-video service.

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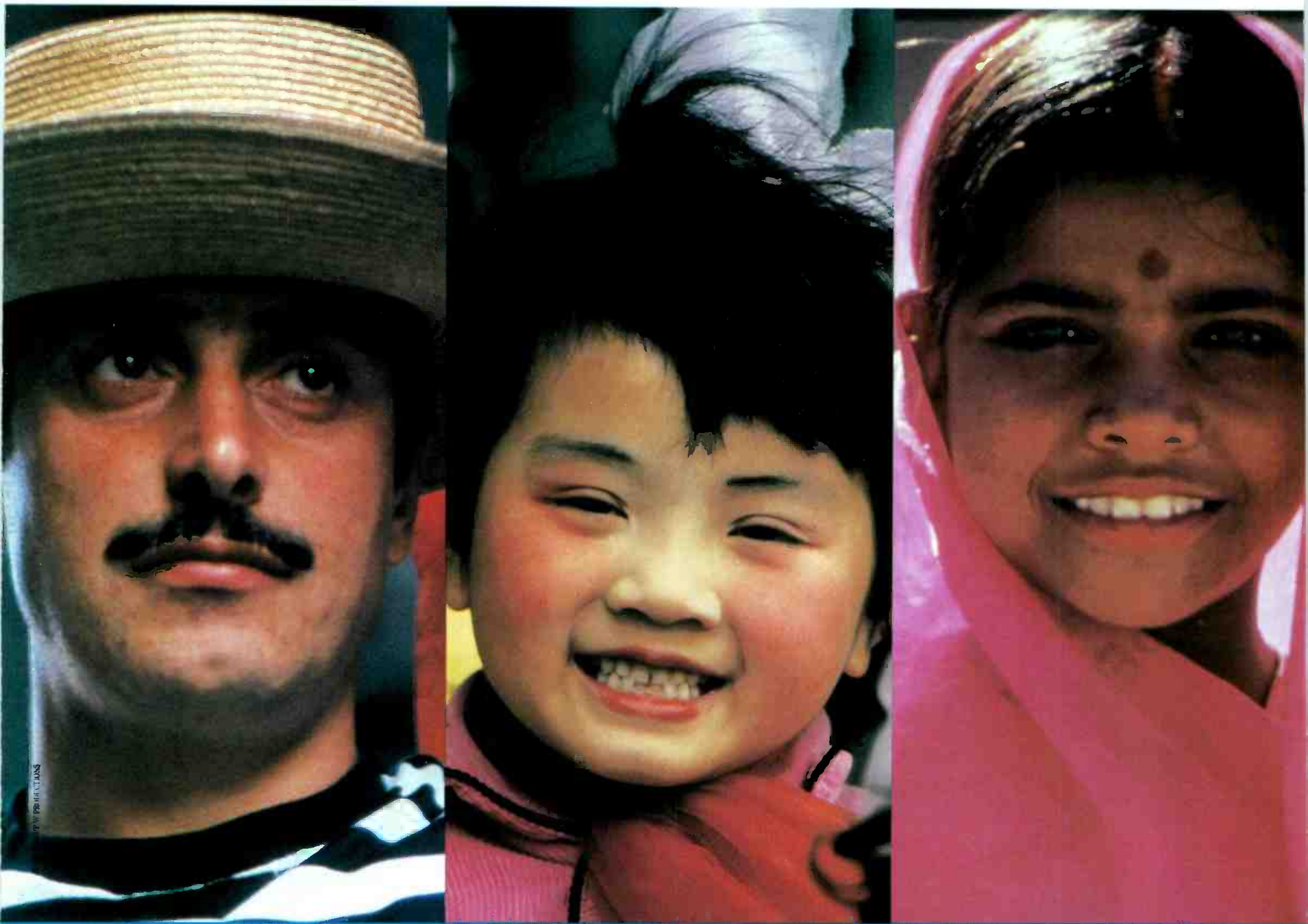

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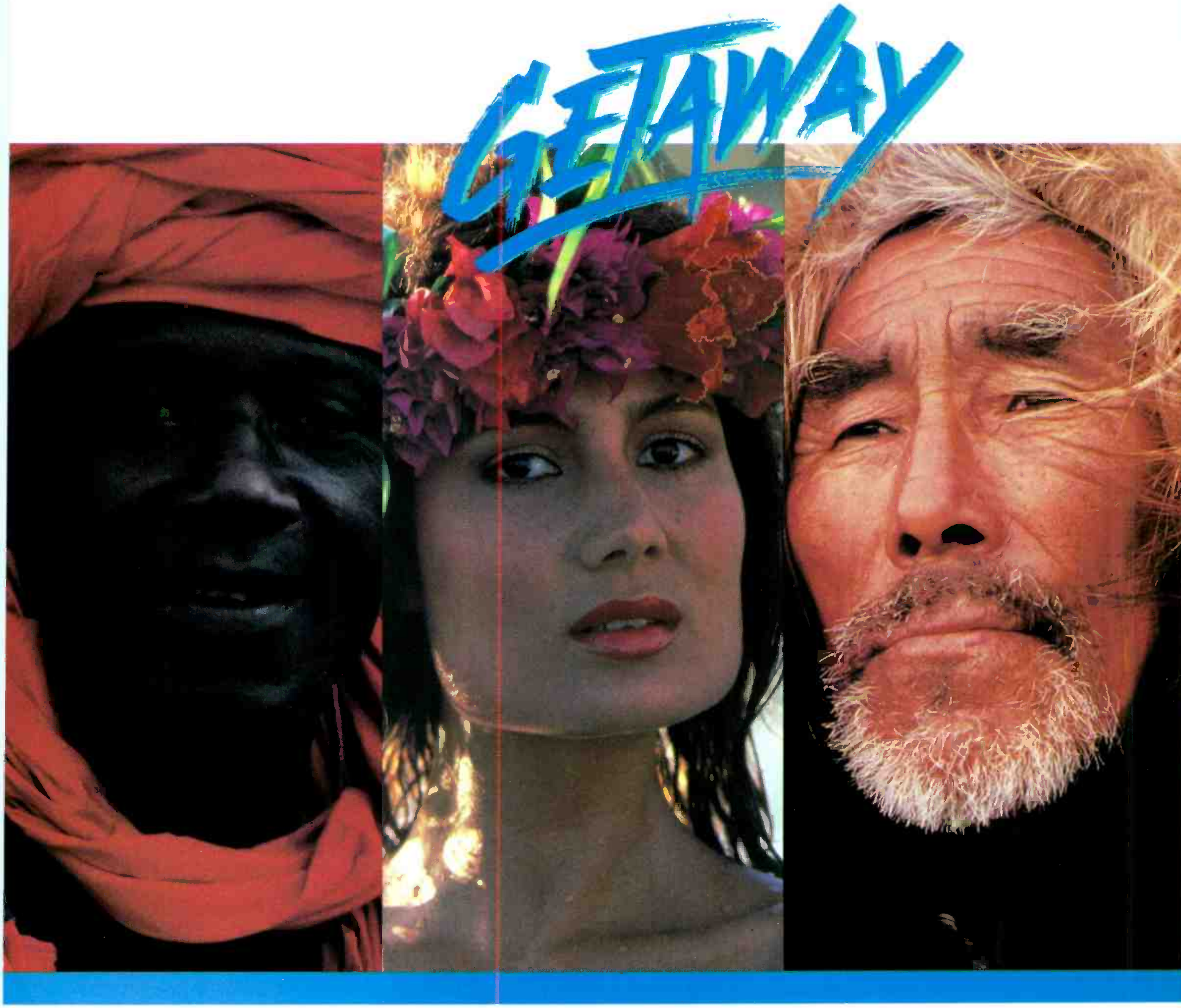

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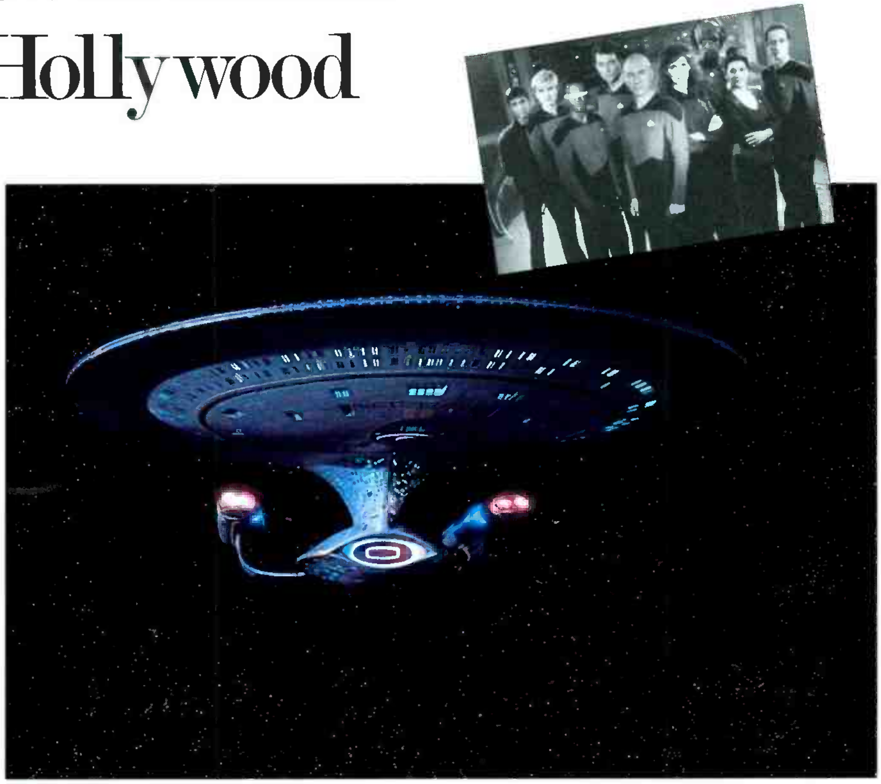
THE PRODUCTION SCENE

Splashing New Realities Onto an Old Hollywood

A soft domestic market and upstart competitors lead studios and networks to eye Western Europe as the new frontier



"First-run has come of age" with Paramount's glossy *Star Trek: The Next Generation.*

Old-line Hollywood found new humility in 1987 as competitive pressures heightened its awareness of foreign markets and its vulnerability to attack at home.

The major studios had to acknowledge their lost hold on network prime time: nearly 30 of the 66 hours of the fall schedule were produced by young, aggressive studios such as Lorimar-Telepictures, Witt/Thomas/Harris and New World Pictures. New World's network programming leapt more than 300 percent over the previous year, and Witt/Thomas' more than 140 percent. Says John Pike, Paramount's network television president: "I don't think TV is a good-old-boy business anymore."

MCA/Universal, traditionally a powerhouse in production of hour-long shows for the networks, held its own with a 23 percent increase in the hours it produces, but also sensed the changing times and rushed to boost its presence in the newer markets for first-run programs. Its fall work schedule called for 124 hours of shows for first-run cable and syndication, up from just 26.5 hours the year before.

With competition growing fiercer in syndication, some producers upped the ante. Not only did sitcoms with higher production values appear, but Paramount used a network-sized budget to bring back *Star Trek*. With the show's return, says Larry Gerbrandt of Paul Kagan Associates, "First-run has come of age."

To producers unable to wrest higher license fees from the networks, foreign markets are emerging as a source of relief. With entertainment the nation's second-largest export earner (with a $4.9 billion surplus, says *Forbes* magazine, and an expected $500 million net from TV programs alone in 1987), it's no wonder. So CBS now beams Dan Rather live to Japan and Europe. And the network was so successful in selling its wholly owned *Twilight Zone* overseas in 1987 that even when it pulled the program from its domestic 1987-88 schedule, it kept the show alive for foreign syndication through a coproduction deal with MGM/UA.

Studio executives have also been watching with growing interest the increasingly privatized Western European TV market. The weakened domestic market—laboring under stagnation and bankruptcies among independent stations, and poor sales for hour shows—may have left them little choice. After all, an hour-long American action show can fetch $150,000 to $200,000 an episode in foreign syndication, says one industry insider. "In many ways," says Lucie Salhany, Paramount's president of domestic TV, American studios "can't generate any more money from the domestic marketplace. We're looking for ways to reduce costs and alternate places to sell."

Overseas markets also hold out the promise of relief for studio executives wary about the approach of 1990: That will bring the first major loosening in the consent-decree agreements that limit the interests the three major networks can hold in shows they air.

The allure of getting more for less continued to appeal to producers, and in 1987 they raced faster than ever across the Canadian border. In British Columbia alone, Yankee spending on TV and film production reached some $53 million by July 1, 1987—nearly as much as the $64 million or so spent in all of 1986, according to the B.C. Film Commission. California-based producer Stephen Cannell expects his Vancouver facility, with seven stages, to be up and running in early 1989. Cannell says he can shave one third off his costs by crossing the border. While the rise in U.S. production costs has slowed from its "usual" pace of 5 percent a year, estimates Wertheim Schroder's David Londoner, costs are still growing 2 to 3 percent a year.

In fact, Universal executives—the most vociferous about holding the line on production costs—puzzled many by bankrolling Anthony Yerkovich's new series for NBC, *Private Eye*, to the tune of an estimated $150,000 deficit per show. With similar deficits for *Miami Vice*, MCA checked in far and away with the two largest deficits per show among major studios. Indeed, despite runaway production, holding the line on expenses may prove elusive, laments Paramount's Pike: "It's going to get harder and harder as more producers compete for shelf space. I don't see costs coming down."

NEAL KOCH

THE PROGRAM FACTORIES

The country's busiest production houses this fall had orders for more hours of programming for first-run syndication including daytime games (about 2,000 hours) than for the four networks combined (about 1,850 hours).

Most Prolific Producers	For Broadcast Networks	For First-Run Syndication and Cable
COLUMBIA PICTURE UNITS 967 HOURS TOTAL		
Merv Griffin Enterprises 293.5 HOURS TOTAL	**98.5 hours/***Secrets Women Never Share, Wheel of Fortune*	**195 hours in synd./***Wheel of Fortune, Jeopardy!*
Embassy Communications 66 HOURS TOTAL	**66 hours/***The Charmings, Who's the Boss?, Facts of Life, Everything's Relative, Married . . . With Children, Trial and Error, 227, Women in Prison*	
Columbia Pictures 577 HOURS TOTAL	**544 hours/***Designing Women, Houston Knights, Days of Our Lives, The Young and the Restless*	**33 hours in synd./***Punky Brewster, What's Happening Now, The New Gidget*
Tri-Star 30.5 HOURS TOTAL	**30.5 hours/***My Two Dads, Buck James, Werewolf*	
LORIMAR-TELEPICTURES UNITS 669.5 HOURS TOTAL		
Lorimar-Telepictures 656.5 HOURS TOTAL	**162.5 hours/***Aaron's Way, B-Men, Dallas, Falcon Crest, Knots Landing, Max Headroom, Our House, Perfect Strangers, Valerie's Family, Full House; Eight Is Enough, Long Journey Home* (TV movies)	**494 hours in synd./***The Comic Strip, It's a Living, Love Connection, Mama's Family, People's Court, Gumby, SilverHawks, She's the Sheriff, Superior Court, ThunderCats, Truth or Consequences*
The Brillstein Co. 13 HOURS TOTAL	**13 hours/***ALF, The Days and Nights of Molly Dodd, Slap Maxwell*	
GROUP W PRODUCTIONS 423.5 HOURS TOTAL	**1 hour/***CBS Schoolbreak*	**422.5 hours in synd./***The Wil Shriner Show, Hour Magazine, BraveStarr*
PARAMOUNT 357 HOURS TOTAL	**70 hours/***Cheers, Family Ties, The Bronx Zoo, Day by Day, MacGyver, Duet*	**285 hours in synd./***Webster, Star Trek: The Next Generation, Marblehead Manor, Entertainment Tonight, Entertainment This Week, Solid Gold, Friday the 13th: The TV Series* 2 hours on cable/*Brothers*
WALT DISNEY TELEVISION 280 HOURS TOTAL	**109.5 hours/***The Oldest Rookie, Disney Sunday Movie, Disney's Adventures of the Gummi Bears* and *Win, Lose or Draw*	**152.5 hours in synd./***Siskel & Ebert & the Movies, Duck Tales, Win, Lose or Draw* 18 hours on cable/*The New Adventures of Winnie the Pooh,* new Carol Burnett series
MCA/UNIVERSAL 261.5 HOURS TOTAL	**137.5 hours/***The Law and Harry McGraw, Private Eye, A Year in the Life, Family Man, Magnum P.I., Murder She Wrote, Simon & Simon, The Equalizer*	**90 hours in synd./***The Bionic Six, Charles in Charge, Out of This World, Bustin' Loose, Puttin' on the Hits* **34 hours on cable/***The New Leave It to Beaver, Alfred Hitchcock Presents*
ORION TELEVISION 242.5 HOURS TOTAL	**52.5 hours/***Cagney & Lacey, Adderly, Just You & Me, The Ballad of Mary Phagan* (mini)	**190 hours in synd./***Hollywood Squares, High Rollers*
NEW WORLD UNITS 169 HOURS TOTAL		
New World 119.5 HOURS TOTAL	**119.5 hours/***Tour of Duty, Sledge Hammer, Once a Hero, Rags to Riches, Crime Story, Santa Barbara*	
Marvel Productions 49.5 HOURS TOTAL	**28.5 hours/***Little Clowns of Happytown, Wiz Kids, Jim Henson's Muppet Babies, Fraggle Rock*	**21 hours in synd./***Jem, Transformers*
20TH CENTURY FOX 130 HOURS TOTAL	**61 hours/***Leg Work, L.A. Law, Hooperman, Mr. Belvedere, Pursuit of Happiness*	**69 hours in synd./***Small Wonder, 9 to 5, $100,00 Pyramid*
GREAT AMERICAN COMM. UNITS 114 HOURS TOTAL		
Hanna-Barbera 78 HOURS TOTAL	**46 hours/***Pound Puppies, Popeye and Son, 'Tis the Season to Be Smurfy* (Christmas special), *Flintstone Kids, Foofur*	**32 hours in synd./***The Jetsons, Funtastic World of Hanna-Barbera, Ultra-Man* (animated movie), *Little Troll Prince* (animated movie), *Hanna-Barbera SuperStars Ten* (ten animated movies)
Great American Entertainment 15.5 HOURS TOTAL	**12 hours/***Sable, Eminent Domain* (TV movie with J. Scherick Associates), *Kids Like These* (TV movie), *Angel in Green* (TV movie)	**3.5 hours in synd./***Father & Family* (pilot), *Throb*
Southern Star/Hanna-Barbera-Australia 12 HOURS TOTAL	**12 hours/***Teen Wolf, CBS Storybreak, Marvin: Baby of the Year*	
Ruby-Spears 4.5 HOURS TOTAL	**4.5 hours/***Alvin & the Chipmunks, The Littlest Detective* (special)	
Titus Productions 4 HOURS TOTAL	**2 hours/***Stones for Ibarra* (TV movie)	**2 hours on cable/***Mandela*
WARNER BROS. 94 HOURS TOTAL	**94 hours/***Growing Pains, Head of the Class, Night Court, My Sister Sam, Spenser: For Hire, O'Hara, Napoleon and Josephine* (mini)	
STEPHEN J. CANNELL 73 HOURS TOTAL	**73 hours/***Wiseguy, J.J. Starbuck, Hunter, 21 Jump Street*	
MGM/UA 59 HOURS TOTAL	**29.5 hours/***Hello Kitty's Furry Tale Theater, thirtysomething*	**23 hours in synd./***Sea Hunt, We Got It Made* **6.5 hours on cable/***Kids, Inc.* (Lynch-Biller Productions in association with MGM/UA)
VIACOM 47.5 HOURS TOTAL	**47.5 hours/***Frank's Place, Jake and the Fatman, Matlock,* Perry Mason movies	
AARON SPELLING 44 HOURS TOTAL	**44 hours/***Dynasty, Hotel*	
WITT/THOMAS/HARRIS 41.5 HOURS TOTAL	**30.5 hours/***Golden Girls, Mama's Boy, Beauty and the Beast*	**11 hours in synd./***It's a Living*
MTM 39.5 HOURS TOTAL	**39.5 hours/***St. Elsewhere, Newhart, Beverly Hills Buntz*	

Compiled by Allison Inserro

Sad News at Black Rock, Good News From the Field

With economic reality causing turmoil at all three networks, TV journalists were making news as often as covering it

Declining viewership, staff cuts, strikes, public anguish, Congressional hearings, intramural bloodletting—and, as the punch line goes, those were the high points for network news in 1987.

If anyone doubted that the balance of power in broadcast journalism was shifting, they had only to flip through a calendar of events. While local, regional, syndicated and cable-news services flourished, network news seemed to careen from crisis to crisis.

The traditional dominance of CBS, NBC and ABC continued to weaken in 1987. Escalating budgets (once palatable, thanks to entertainment-programing profits), became truly unacceptable when viewers started to drift. Between the 1979-80 and the 1986-87 season, audience share for the Big Three newscasts dropped from 76 percent to 63 percent, according to Nielsen. But during that period, network news budgets rose from an average $100 million to more than $300 million.

News operations came under unprecedented austerity measures in '87. At NBC, corporate parent General Electric lost no time instituting cost-control programs, even though NBC's lead in entertainment made the network profitable. Now GE is reportedly preparing to follow recommendations by consultants McKinsey & Co. to consolidate news bureaus and to allow staff to shrink through attrition.

Capital Cities/ABC cut its news staff by some 60 people out of 1,200. But that couldn't keep the third-place network from reporting an operating loss for the year—the first since 1971.

Because CBS News has long symbolized the best in broadcast journalism, most media attention focused on the turmoil there—both because of the network's history and because the cutbacks were swift and stunning. Yet even with CEO Laurence Tisch cinching the corporate belt, first quarter '87 became the first in the network's history to record a net loss.

Before Tisch assumed official command in the spring, rumor had it the 64-year-old tycoon was "a fan of news." "I can guarantee you that the one area I will never interfere with is the delivery of news," Tisch told *Channels* in February.

But no sooner did he take charge than he began to prune the division's budget by some $30 million. More than 200 staffers were cut, including such veteran correspondents as Ike Pappas and Fred Graham. And Tisch's actions sparked an angry public outburst by Dan Rather.

"Our new chief executive officer, Laurence Tisch, told us when he arrived that he wanted us to be the best," Rather wrote in a controversial *New York Times* op-ed column ("From Murrow to Mediocrity?"). "We want nothing more than to fulfill that mandate. Ironically, he has now made the task seem something between difficult and impossible."

If public editorializing failed to endear Rather to Tisch, the anchorman's 1987 ratings made relations even trickier. Rather's salary (reported to be in the $2.5 million range) was tops among his competitors; his Nielsen numbers for most of the year were not. NBC's Tom Brokaw essentially pulled even with Rather on a nightly basis, though by year's end Rather was again number one, thanks to favorable people-meter returns. Then there was his September disappearing act: Rather stalked off the *Evening News* set when the start of the program was delayed by a televised tennis match.

Ironically, the sad year at Black Rock ended the way it began, with controversy at daybreak.

After announcing in late '86 that it intended to scrap its early morning news in favor of a show originating in the entertainment division, CBS trashed one prototype, launched *The Morning Program* in January '87, then killed it after only nine months, returning the time period to News. Now the network's early morning hopes ride with Kathleen Sullivan, whom CBS lured from ABC in September.

Strikes by newswriters at all three networks in 1987 underscored the new owners' determination to hold costs down. The issue in each case was management control over hiring and firing—the ability to dismiss employees on the basis of merit rather than seniority, and to hire non-union, part-time newsroom help.

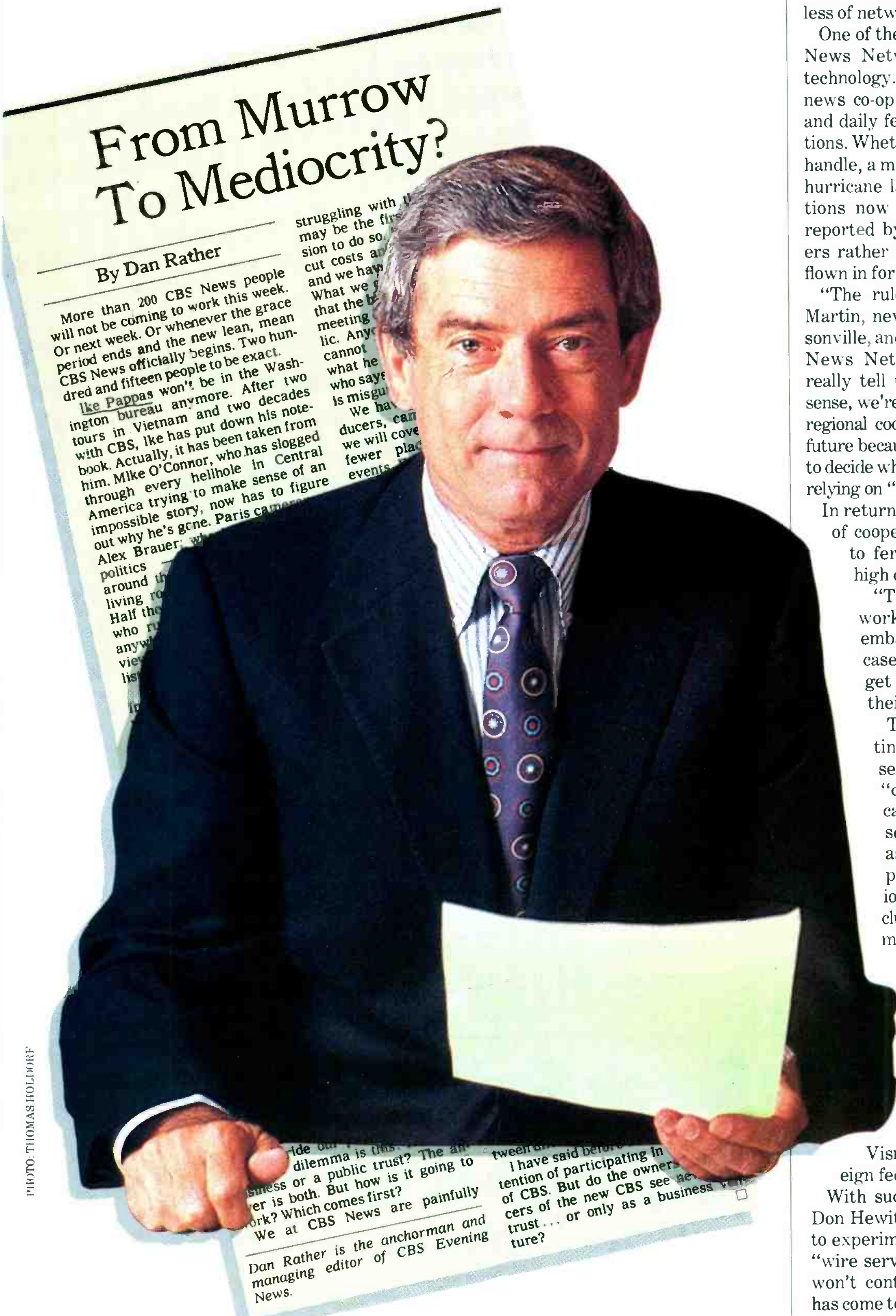
At the same time they were trying to rein in new expenditures, the three managements sought to "amortize" existing costs. With increasing competition at home from alternative news services, the networks sought out foreign markets. Efforts such as CBS Broadcast International and Anglovision, an NBC/American Express co-venture, were designed to service an increasing appetite for news product in Europe.

While the graying giants were losing some of their clout, the upstarts were gaining strength—and confidence. A rising tide raises all boats, and the general increase in cable viewership benefitted the wire's news and information services in '87, most particularly Turner Broadcasting's news divisions. CNN, CNN Headline and CNN Radio expanded their budgets last year, while moving into profitability for the first time.

According to Turner Broadcasting's annual report, the combined news budget rose from $23 million in 1980 to some $130 million in 1986, with 1,164 full-time news employees under contract. This past summer marked the high point of CNN's short history, when the 24-hour cable network recorded its then highest viewing level—a 3.5 rating/9.6 audience share—for the first day of Oliver North's testimony before the Senate's Iran-Contra Committee.

But CNN wasn't the only non-network service enjoying a good year. With managements scrutinizing budgets, the networks began to look increasingly to their affiliates for coverage of local events. Thanks to satellite news-gathering (SNG) equipment, affiliatestations could provide footage to network headquarters quickly. At the same time, portable SNG gear allowed local stations to cover national and international stories with their own reporters—further reducing demand for a network presence.

But the trend toward decentralization was perhaps most pronounced in the proliferation of "regional news cooperatives,"



The voice of Dan Rather: In a *New York Times* piece, Rather gave harsh criticism to new CBS CEO Laurence Tisch's cost-cutting measures. Later in the year, however, Tisch promised the news division a prime time slot (and increased resources) for a new documentary series.

PHOTO: THOMAS HOLDORF

ad hoc affiliations of stations that cover stories in their states and regions, then make the feeds available to one another regardless of network affiliation.

One of the most advanced is the Florida News Network, now utilizing satellite technology. Operating since late 1984, the news co-op provides statewide coverage and daily feeds for nine participating stations. Whether it's a killer frost in the Panhandle, a major cocaine bust in Miami or a hurricane lashing the Keys, Florida stations now have the story in minutes, reported by knowledgeable local reporters rather than network correspondents flown in for the day.

"The rules have changed," says Mel Martin, news director of WJXT in Jacksonville, and one of the founders of Florida News Network. "The networks can't really tell us what to do anymore. In a sense, we're all independents." Martin says regional cooperatives are the wave of the future because they give stations the power to decide what's news in their states without relying on "tired network feeds."

In return, networks can take advantage of cooperatives' feeds without having to ferry in reporters and crews at high cost.

"The only downside for the networks is if there's a local news embargo," says Martin. "In that case, members of the co-operative get the first crack, regardless of their affiliation."

The year past also saw the continued growth of the syndicated services. Offering overdubbed or "clean" videos (so local anchors can do their own voiceovers), the services offer breaking stories as well as features on business, politics, entertainment and fashion. Major players in the field include CNN's Newsource and Lorimar-Telepictures' NIWS.

The success of Independent Network News illustrates the widening web and interdependency of alternative operations. While providing nightly reports to 115 affiliated stations, INN in turn uses World Television News and Visnews International for its foreign feeds.

With such stalwarts as CBS producer Don Hewitt now calling for the networks to experiment with scaled-back, televised "wire services," it's clear the status quo won't continue much longer. "The time has come to play a new game," Hewitt told this year's Radio-Television News Directors convention. "Six hundred stations are already beating us at the old one."

JOSEPH VITALE

The Networks' Revenge: How High Will It Go?

A strong network up-front market spurred demand on every front: barter syndication, cable and spot will benefit

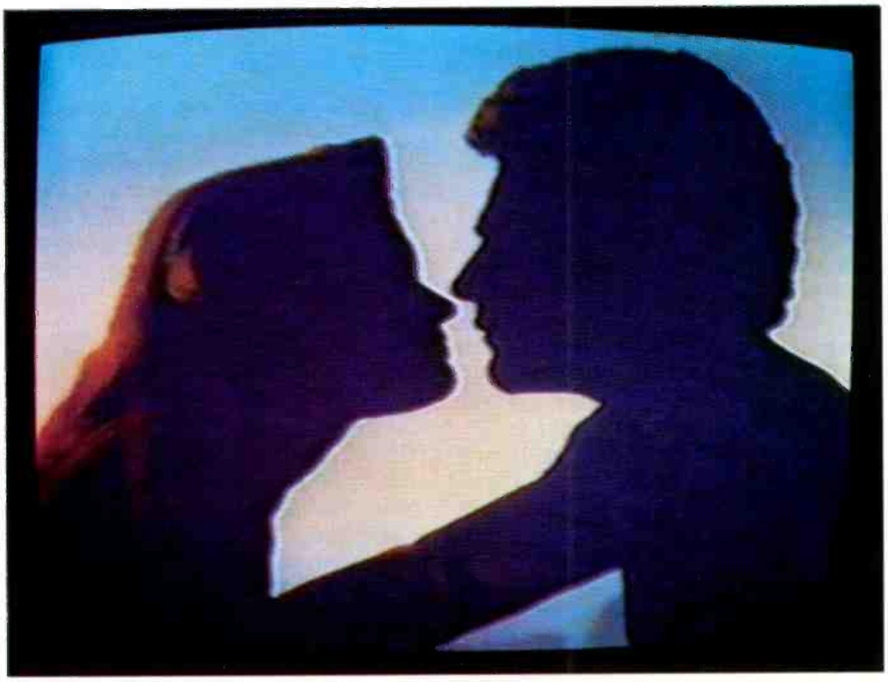
Everyone with a finger in TV advertising felt the temperature rising. Until October's stock market bust, it was going to be a hot market in 1988. Even now the question remains, How hot?

The quadrennial Olympic/election years ordinarily mean TV-advertising growth rates of more than 10 percent, and 1988 may be no exception. The Television Bureau of Advertising (TvB) predicted before the bust that TV revenues will rise 12 percent, to $26.5 billion. While that growth pales next to the 18.4 percent jump TV enjoyed in the last quadrennial year, it's pretty respectable considering the outbreak of people-meter anxiety witnessed in the ad community in 1987.

When Nielsen turned off its longtime ratings system in September, it introduced an unsettling new risk in the buying of network time. What the advertiser thought was a good buy—or the network regarded as a good sell—based on experience with the old ratings, might turn out rather different as measured by the people meters. And that has required a longer-than-normal leap of faith by advertisers.

Yet if the summer up-front buying for network prime time is an example, advertisers expect heavy demand for TV in '88. By springtime, they had witnessed three strong quarterly "scatter" markets and were easily swept along with the crowd, paying rates in this season's up-front period 15 to 20 percent above last season's. Moreover, they broke tradition by agreeing to share in the people-meter risk. Ordinarily the network guarantees that the advertiser will get 100 percent of its contracted reach, but this year, with the change in technology, advertisers accepted modified guarantees that left them with part of the risk of audience underdelivery.

Buyers estimate that it cost an average of $8.10 to reach a thousand viewers in network prime time last season, and if people meters swing low, raising the cost per thousand (CPM), it could help push the 1987-88 season's CPM into double digits for the first time. CPMs are already being pushed up by the continuing erosion of the network audience, which means fewer thousands of viewers for the money. The runoff from the erosion has been noticeable: Prime time network viewing in the first half of '87 was down 4 percent compared with the same period in '86 (while cable and independent-station audiences were up), and that was typical of other dayparts.



Adding fuel to the '88 ad fire: new categories, such as AIDS-preventive condom ads

Escalating network CPMs will be bad news for advertisers but will be good for the networks' competitors, making their airtime look like a relative bargain. "The rest of the media," says Grey Advertising executive v.p. and director of media programming services Alec Gerster, "are playing into the halo of the up-front network marketplace."

What's truly remarkable is that the three networks' up-front sales this season did not come at the expense of the other sellers of TV time. Barter syndicators, for instance, sold more than $500 million in up-front commitments last spring—about $100 million more than for the previous season—even before the broadcast networks began negotiating in earnest. And though the syndicators might have done better if they'd waited until the networks had nearly sold out the time they planned to sell up front, CPMs for the top syndicated shows are reaching parity with those for network time. Household CPMs for Paramount's *Star Trek: The Next Generation*, for instance, are in the $9 range, according to Brian Byrne, president of newly formed International Advertising Sales (IAS), which sells time in the series.

Much of this money is new to television and is finding its way into new hands. Fox Broadcasting made up-front sales of about $100 million this year, and cable networks were aggressive in making up-front deals—especially ESPN with its National Football League games, which hit the ad market before the players' strike took much of the luster off of the NFL for many advertisers. Sales by these network competitors added between $600 million and $750 million to the three networks' hefty $3 billion up-front sales for the season.

In such a robust environment, network sales executives say '88 may be the year they try to attach a premium to the price of 15-second commercials, which they now sell for half the cost of 30s. After all, the networks started selling 15s partly to offset the soft demand of the past two years. (And the 15s did add to demand: They attracted more than 40 companies to network advertising in '86, according to the ad agency J. Walter Thompson.) The networks may not be able to hike their prices on 15s, however. Low cost is the 15s' chief virtue, and buyers say they doubt they'd accept a price closer to that of 30s. Indeed, in spot purchases of time, where stations typically sell a 15-second ad for three quarters of the price of a 30, the shorter ads don't move.

So much network and barter time is sold upfront that those markets are protected somewhat from the fallout of the stock market crash of October '87, leaving spot advertising at greatest immediate risk if advertisers reduce their buying. Though spot sales had been relatively flat through 1987, they gained strength late in the year in anticipation of a tight supply in '88, when politicians are expected to snap up nearly $200 million in ads and the Olympics will run off with big chunks of time that network affiliates otherwise would have available. While economically depressed regions will still have problems, ad-rep firms expect total spot revenues to grow more than 10 percent. In comparison, spot growth in '87 was estimated at just 5 or 6 percent.

A spot-market revival will be welcomed by the ad reps, who have gone through their own tremendous upheaval. Several major station groups, with spot billings totalling more than $500 million, switched reps during the year—echoing the many changes in station ownership and management that have severed old rep relationships. Stations in motion included those owned by Chris-Craft, Fox, Tribune and the TVX Broadcast Group. No single rep is the big winner or loser so far.

Perhaps the healthiest sector in TV advertising, stations' local sales grew some 7 to 9 percent in '87; TvB expects it to grow 12 to 14 percent in '88, compared with growth of 10 to 12 percent for network and spot sales. Local revenues in '87 may have exceeded sales in the spot market for the first time ever (see chart).

While cable networks, with their high proportion of long-term ad deals, are less volatile year to year than broadcasters, they're expected to benefit from the spillover of demand for network time. "We're looking at a year of 20 percent increases," says Jack Myers, president of the cable marketing firm Infomarketing Inc. "Cable will benefit from the strong network marketplace, but the key is improved programming on cable."

Advertisers, however, say that most cable programming isn't up to par with the networks', and that it's bothersome to buy time on cable networks, most of which can offer only a fraction of a rating point at a time. That's why Infomarketing formed CableOne, a buying system that allows advertisers to get ratings of network size by negotiating a deal for time on all or any combination of the cable networks. CableOne barely got rolling in '87 and expects to handle only $18 million of the billion-dollar cable time sales in '88—but much of it, Myers says, will be from new advertisers attracted to cable by the increased ease of buying time.

Barter syndicators also saw the advantages of aggregated selling during the year. The sales arms of Tribune Entertainment and Cox's Television Program Enterprises joined to form TeleTrib. Camelot, the sales division of King World, picked up sales duties for MGM/UA and Walt Disney Company's Buena Vista Television. And in the biggest move of all, Paramount, Coca-Cola Telecommunications and Orbis Communications united their barter divisions to form IAS. The three firms in IAS, selling separately during the past year, handled more than half of all barter sales, according to Paul Kagan Associates.

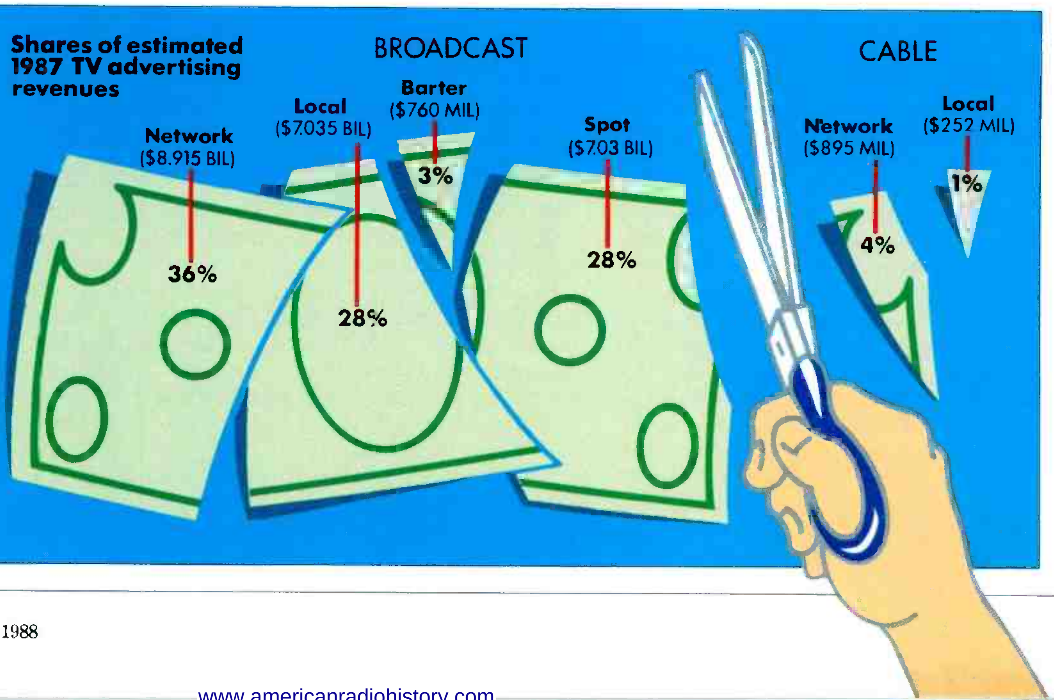
Restrictions on commercial content continue to be loosened, at least in ads aimed at adults. Despite continued lobbying by public-interest groups to chase beer and wine ads off the air, industry executives doubt Congress will enact that prohibition in '88. In fact, CBS even liberalized its standards this year to allow ads that "tastefully" depict actual drinking. It was also the year in which all three networks allowed ads to show live models wearing bras and lingerie. And though they haven't accepted condom commercials to run nationally, some of their owned stations have run ads advocating the use of condoms to prevent the spread of AIDS. "The key issue in 1988 is how much further they will go with condoms," says Hedda Neil, director of legal clearance for DDB Needham Worldwide. "Will they restrict it to AIDS prevention, or will they open it up for birth control?"

In the area of children's programming, however, there's a chance that the government will restrict TV. Several bills in the House of Representatives would limit the commercialization of kidvid and the toy-related animated shows that critics call "program-length commercials." And a pair of federal appeals court decisions has prompted the FCC to open a review of policy on those matters, as well as limits on commercial time and on programs designed for use with the new interactive toys—and the First Amendment implications of such rules.

JOE MANDESE

WHO GETS TV'S ADVERTISING DOLLAR

Broadcasters still pull in 95 cents of every dollar spent on TV advertising, but the overflow demand for network time is going to cable, spot and barter syndication. In the past year time sellers for both cable networks and barter have pooled efforts to sell against the big guys.



Sources: estimates by Television Bureau of Advertising and Cabletelevision Advertising Bureau.

DAVID HERBICK

THE FINANCE SCENE

1987: For Cable and Radio, It Was a Breathtaking Year

Everyone gets in the cable-financing act as per-subscriber prices reach $2,000, but the picture seems cloudy for the coming year

RICHARD OSAKA

There was a time, not too long ago, when only the brave would finance the construction or acquisition of cable-television systems. Today, raising money for cable deals is routine for all major Wall Street financial institutions.

At the beginning of this decade, only a handful of brokerage firms—usually regional firms staffed with former cable people—peddled systems through an old-boy network of cable executives. Today, that network still exists, but it is supplemented by a host of upstart and large cable-system buyers and the major investment banks.

Those changes, combined with the extraordinary boom in the cable business, prompted 1987's most significant story in media finance. It is a tale involving billions of dollars and a tale that is reshaping both the structure of the cable industry and television itself. Says Morgan Stanley banker Steven Rattner: "Cable's story this year has been breathtaking."

In 1986, about 350 brokered cable-system deals were announced, with a value over $4 billion. Although those figures are unlikely to be surpassed by 1987's, the year saw a host of major transactions, with each one driving prices paid per subscriber close to and above the $2,000-per-sub plateau. High-profile deals included Jack Kent Cooke's acquisition of McCaw Cable's 433,000 subscribers for $755 million and Cooke's later buy of First Carolina Communications and its 167,000 subs for about $300 million. Heritage Communications, with its 983,000 subscribers, was sold to cable leader Tele-Communications Inc. (TCI) and its management for nearly $1.2 billion, and Viacom's 972,000 subscribers were sold to National Amusements for a price analysts estimate to be in excess of $1.3 billion.

Although the station-trading and money-raising businesses remained healthy in 1987, the financial problems of independent stations and the far more finite number of stations (compared to cable systems) created a market in which cable systems became the most widely trafficked currency in media-industry dealmaking. Financings for media companies also slowed markedly in 1987, and the late-year dramatic drop in stock prices raised a host of questions about the financing capabilities of both small and large media-industry companies.

Federal cable deregulation at the beginning of 1987 was one ingredient in the boom in cable deals, as was the fact that cable was now reaching half the nation's homes and the fact that the cable-programming lineup seemed to be more attractive than ever. Moreover, a continuing strong financial environment, with relatively low interest rates, plentiful capital and a strong overall economy, helped fuel cable's rise. And cable's credibility was never higher.

"The supply of money has been by most standards plentiful," says Phil Hogue, Daniels and Associates executive vice president. "The rate structure has been stable, low enough to make a lot of deals work on the aggressive side. Having a favorable rate structure is one thing, but having a community believe in the activity is another. And a broadening of the industry's access to financial alternatives, like junk and zero-coupon debt, helped considerably."

As per-subscriber acquisition multiples soared, so did other measures of transaction values. In 1987, buyers were willing to

PERSPECTIVE

acquire cable companies at cash-flow multiples of 12 times and above, up significantly from the eight-times multiple generally paid just two years before.

The growing number of system buyers—cable entrepreneurs like Bill Bresnan and Steve Simmons as well as financiers like Cooke and the Bass Brothers, the Texas oil magnates who were involved in the $300 million acquisition of Prime Cable of Atlanta and other transactions—and thriving, giant MSOs such as TCI and American Television and Communications (ATC), the Time Inc. subsidiary, suggests that the cable market will set new records in 1988 unless the economy collapses.

The continuing demand for systems and their limited supply helped fuel that optimism. Moreover, with cable-system construction nearly over, most operators focused in 1987 on efforts to improve profitability and marketing programs, which were clear attempts to increase revenues by raising stagnant penetration levels.

In broadcasting, merger-and-acquisition and in particular financing activity quieted markedly from 1986, a year that featured sales of each of the big-three networks and record-breaking station sales. But while the television-station market softened, the market for radio stations intensified at the pace if not the scale of the cable field.

The break-up of Storer Communications, owned by Kohlberg Kravis Roberts, and the sale of its six television stations for about $1.3 billion to George Gillett, as well as Gillett's $365 million purchase of Tampa CBS affiliate WTVT, represented the year's most significant television transaction.

Like so many major media deals of the decade, Gillett's buying spree was expected to be financed via low-grade junk bonds assembled by Drexel Burnham Lambert. But Drexel faced continuing allegations of impropriety stemming from insider trading scandals. The possibility of major federal legal action against Drexel raised the prospect of an important source of media-industry funds drying up. Drexel has raised money for Rupert Murdoch, Ted Turner, TCI and production companies such as the DeLaurentiis Group.

Before the Wall Street collapse, which saw inflated media stocks fall with the rest of the market, First Boston analyst Richard MacDonald predicted "a host of new equity offerings" since the coming year looked fundamentally sound. With the market picture uncertain and smaller companies, particularly in production, facing problems, predicting what 1988 holds became a much tougher guessing game.

MERRILL BROWN

MONEY INTO TELEVISION

Public Debt Obligations	Description of Issue	Amount (millions)	Managing Underwriters
7/87 United Artists Comm. Inc.	Convertible subordinate debentures	$245	Drexel Burnham Lambert
8/87 Gillett Holdings	13⅞% subordinated debentures due 1999	170	Drexel Burnham
8/87 Gillett Holdings	Series F senior notes due 1994	150	Drexel Burnham
2/87 Cablevision Industries	11¼% senior subordinate debentures	150	Morgan Stanley PaineWebber
8/87 Gillett Holdings	Series D senior notes due 1992	100	Drexel Burnham
7/87 United Artists Comm. Inc.	6.37% 15 year reset convertible subordinate debentures	100	Drexel Burnham
2/87 Weintraub Entertainment	Subordinated debentures with warrants	81	Bear Stearns
5/87 Nelson Entertainment Group	Subordinated guaranteed bonds	57.5	Bear Stearns Shearson Lehman
8/87 Star Cablevision Group	Senior subordinate debentures	50	Morgan Stanley
8/87 Burnham Broadcasting Co., LP	13⅞% subordinate debentures due 1999	32	Kidder Peabody Shearson

INITIAL PUBLIC OFFERINGS

8/87 McCaw Cellular	13,030,000 shares class A common stock	283.4	Morgan Stanley
9/87 Centel Cable Television	4,000,000 shares class A common stock	82	Morgan Stanley Smith Barney
2/87 The Musicland Group	2,012,500 shares common stock	40.25	Bear Stearns Merrill Lynch Donaldson Lufkin & Jenrette
10/87 The Fashion Channel	2,000,000 shares common stock	15	Hanifen Imhoff R.G. Dickinson
7/87 Midwest Communications Corp.	1,600,000 common stock	14.4	PaineWebber

PRIVATE PLACEMENTS

7/87 Tele-Communications Inc.	Senior notes series A due 1999	185	PaineWebber
4/87 DIC Animation Inc.	Leveraged buyout	70	Bear Stearns
7/87 Tele-Communications Inc.	Senior notes series B due 1999	50	PaineWebber
6/87 Noble Broadcast Group Inc.	Senior revolving credit and term loan due 1997	40	PaineWebber
6/87 Noble Broadcast Group Inc.	Senior subordinated debentures due 1999	40	PaineWebber
6/87 Noble Broadcast Group Inc.	Cumulative preferred stock with warrants due 2002	11.5	PaineWebber
7/87 Tele-Communications Inc.	Senior notes series C due 1992	10	PaineWebber
7/87 Tele-Communications Inc.	Senior notes series D due 1991	5	PaineWebber

PARTNERSHIPS

8/87 Prime Cable	40,500,000 LP units 2,025,000 General LP units 4,500,000 General Partner units	47.025	Morgan Stanley

Source: Media Business News

Movers, Shakers and Deal-Makers

THE PLAYERS

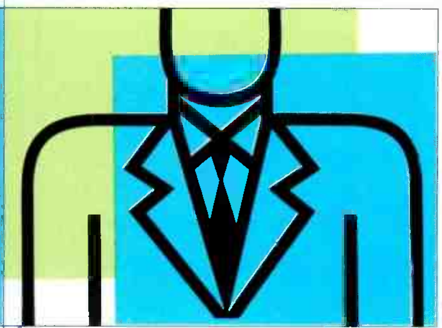


DIAGRAM BY JAVIER ROMERO

Movers

Frank Biondi, Tony Cox and **Henry Schleiff**, onetime braintrust of **HBO**, to the competition. Biondi to president/CEO, Viacom Inc; Cox to head of Viacom's **Showtime/The Movie Channel**; Schleiff to chairman, Viacom's broadcast and entertainment group.

Tom Freston to sole president and CEO, MTV Networks following co-president **Robert Roganti**'s resignation.

Adam Clayton Powell III, son of the late flamboyant Harlem congressman, to news chief of National Public Radio.

William G. Moll, president and CEO of Harte-Hanks Television, to president of the **Television Bureau of Advertising**, replacing **Roger Rice**.

Stuart Hersch, chief operating officer and force behind **King World**'s rise to syndication power, resigned for undisclosed plans.

M.G. O'Neil, CEO of **GenCorp Inc.**, to retirement in January, replaced by **A. William Reynolds**.

After four months as acting head of CBS, **Laurence Tisch** to president and CEO in January.

Tisch

Peter Lund, president of CBS O&Os, to president of **Multimedia Entertainment**.

Our World, critically acclaimed though low-rated ABC program, to PBS in early '88, possibly under a different name. Cohost **Linda Ellerbee** to coproduce.

Steve Friedman, former executive producer of NBC's *Today* show, to **Grant Tinker**/Gannett's **GTG Entertainment** as producer.

Moyers: To PBS' grander pastures.

Paper trail: ***Variety*** to **Cahners Publishing** Co. for $40 million; ***Broadcasting*** to **Times-Mirror** for $75 million; **Billboard Publications** to **Affiliated Publications** for $100 million.

Av Westin fired, then rehired, by **ABC News** after Westin circulated an in-house memo criticizing the network's news procedures.

Ernie Schultz to full-time president, Radio-Television News Directors Association, the first in the organization's 41-year history.

Jim and Tammy Bakker, cohosts and founders of *The PTL Club* and owners of Heritage USA theme park, to unemployment following a sex scandal.

Bill Moyers, from CBS to PBS. Moyers, who'll do special reports for Public Broadcasting, had criticized "entertainment values" in network news.

Dan Ritchie, chairman of **Westinghouse Broadcasting Co.**, to retirement.

David Poltrack, vice president of research, CBS Broadcast Group, to vice president of marketing, **CBS Television Network**.

Barry Sand, producer of *Late Night With David Letterman*, to executive producer of Fox's *The Late Show*.

Mort Marcus, president of **Colex**, to executive vice president, **Hal Roach Studios**.

The National Football League, after 30 years of network exclusivity, to cable's **ESPN** for a package of preseason and Sunday games.

Pat Robertson, head of **Christian Broadcasting Network**, resigned in October—the day he announced his presidential candidacy.

Dick Clark's ***American Bandstand***, after 30 years on **ABC**, into syndication.

Randy Reiss, president, **Act III Communications**, to president, network television, **Walt Disney Television**.

Sullivan: To CBS.

Victor Parra resigned as executive director of **Cable Television Marketing Association**.

Barry Kaplan, media director of **Ted Bates/New York**, to vice president of sales and marketing, **AGB Television Research**. **Joseph Philport**, president of AGB, to **A.C. Nielsen**, as senior v.p./director of market development.

Dennis Patrick, FCC commissioner, to chairman; predecessor **Mark Fowler** to the Washington law firm of Latham & Watkins.

Morning Maneuvers: **Kathleen Sullivan**, anchor of ABC's *World News Saturday*, to cohost of CBS's *The Morning Program*, replacing **Rolland Smith** and **Mariette Hartley**. **David Hartman** ended his 11-year tenure as host of ABC's *Good Morning America* to produce specials for the network.

Van Gordon Sauter, former head of CBS News, hired, then dropped, as commentator by Los Angeles' KTTV in July.

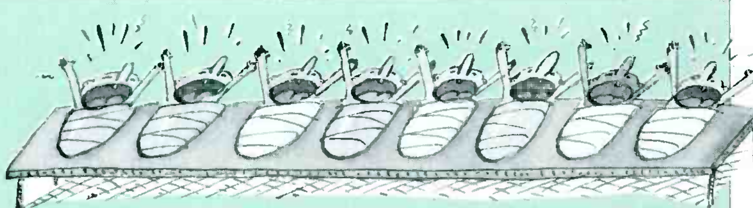
William Baker, from president, **Group W Television**, to president, **WNET**, New York.

John Summers, **National Association of Broadcasters'** number-two man and top lobbyist, to retirement.

Donald Ledwig to president, **Corporation for Public Broadcasting**.

ILLUSTRATIONS BY HAL MAYFORTH

Births



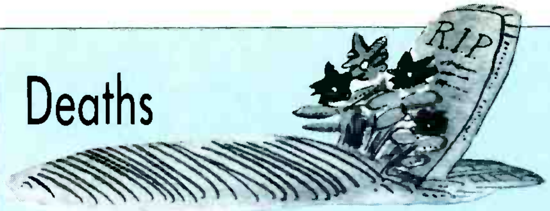
The **Fox Broadcasting Company**, with two full evenings of original programming in April and July. Fox also hosted the Emmy Awards in September.

People Meters, children of **AGB Television Research** and **Nielsen Media Research**, on September 1 nationally.

The Travel Channel, a product of **TWA Marketing Services**, launched on 190 cable systems in February.

GTG Entertainment, a joint production venture of **Grant Tinker** and **Gannett**.

Deaths



Jackie Gleason, TV's "Great One," star of *The Honeymooners* and *The Jackie Gleason Show*, in Florida, at age 71.

Edgar Rosenberg, 62, husband of comedian Joan Rivers, in Philadelphia. Rosenberg, former executive producer of Rivers' *The Late Show*, took his own life.

Lorne Greene, paterfamilias Ben Cartwright of NBC's *Bonanza*, in Santa Monica at age 72.

Lee Marvin in *M Squad*.

Smiling pianist **Liberace**, star of his own 15-minute syndicated TV show (1953-55), at age 67.

Dan Rowan, 65, comedian and cohost (with nightclub partner Dick Martin) of *Laugh-In*, trend-setting NBC comedy show from 1967-73.

Lee Marvin, 63, Lt. Frank Ballinger of NBC's *M Squad*, in Tucson, Ariz.

Clara Peller

David Susskind, producer and host of the syndicated *David Susskind Show*, at 66.

Clara ("Where's the Beef?") Peller, at 86. The 1984 TV campaign she starred in is credited with increasing Wendy's profits 24 percent that year.

***Honeymooner* Jackie Gleason.**

Hugh Brannum, "Mr. Green Jeans" on CBS's *Captain Kangaroo* for 29 years, at 77.

Quinn Martin, veteran TV producer of such series as *The Untouchables* and *The Fugitive*, at 65.

Stephen Small, 40, former vice president, **Mid America Media**, after being buried alive in wooden box by kidnappers.

Richard Goldstein, 48, vice president/marketing, **CBS Sports**.

Acquisitions

Sumner Redstone's National Amusements bought **Viacom Inc.** in March for $3.4 billion. After the merger, Redstone named himself Viacom chairman, replacing **Ralph Baruch**.

Taft Broadcasting's five independent stations acquired by **TVX Broadcast Group** for $240 million.

Coca-Cola merged its entertainment businesses with **Tri-Star Pictures** in exchange for a 49 percent interest in **Tri-Star**. Net value of businesses transferred: $745 million. The new company, **Columbia Pictures Entertainment Inc.**, will be headed by Tri-Star chairman **Victor Kaufman**.

Orbis Communications purchased by Carolco Pictures in June for $15.4 million. The buyer is producer of Sylvester Stallone's *Rambo* films. The deal gets Carolco into the TV syndication and barter businesses, and more.

DKM, Atlanta-based owner of AM/FM radio stations in eight cities, acquired by **Summit Communications** for $200 million. It is second-largest radio-only sale, after **Metromedia**'s $285 million management buyout in 1986.

George Gillett's Gillett Group purchased six TV stations from **Storer Broadcasting**, then bought **Gaylord Broadcasting**'s Tampa, Fla., station for a combined $1.6 billion.

Adams-Russell, MSO with some 230,000 subscribers, bought by **Cablevision Systems**, for $301 million cash and assumption of $174 million in liabilities.

Dun & Bradstreet Corp., parent of **A.C. Nielsen Co.**, agreed to acquire **Information Resources Inc.**, market research company, for $572 million.

Norman Pattiz's Westwood One acquired the **NBC** radio network for $50 million.

Stoner Broadcasting, a 16-station radio system, purchased by **ML Media Partners** for $52.7 million. ML Media then bought **WEBE (FM)**, a Westport, Conn. station, for $12 million.

Heritage Communications, owner of radio and TV stations and cable systems, bought by **Tele-Communications Inc.** for $892 million.

Five TV stations and **five low-power stations** by **Hallmark Cards** and **First Chicago Venture Capital** for $300 million. All stations are Spanish-language. Hallmark owns 75 percent of group.

Demises

Fairness Doctrine, age 38, in Washington, D.C. Some say reports of doctrine's demise have been exaggerated and that it will return in '88.

The Home Shopping Game Show, in February, at age four months. The show had aired in 15 markets (on the CBS O&Os and independent stations) before low ratings killed it.

Hill Street Blues, after six years on NBC.

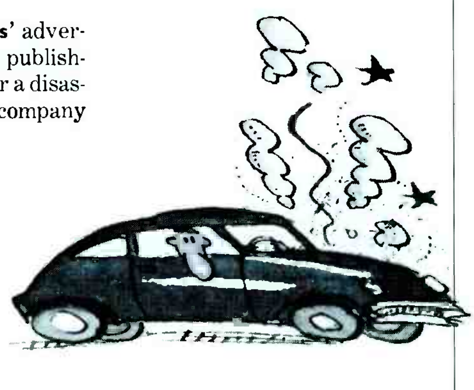
Lorimar-Telepictures' advertising, TV-station and publishing divisions, sold after a disastrous '86 in which the company lost $59 million. Chairman **Merv Adelson** said L-T will return to its original trade: producing and distributing movies and TV shows.

Colex Enterprises, programing partnership between **LBS Communications** and **Coca-Cola**, in April. The joint syndication venture, handling first-run and off-net programming for barter sale, was absorbed into LBS.

***A Prairie Home Companion*, Garrison Keillor**'s popular weekly radio show, produced by **Minnesota Public Radio** and distributed nationally by **American Public Radio.** Keillor left to concentrate on his writing.

***VTV*, Lorimar**'s one-hour syndicated home-shopping strip, in July.

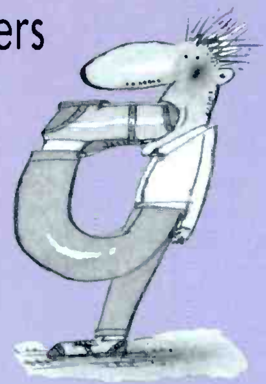
Amos 'n' Andy on Broadway. U.S. District Court ruled in August that **CBS** still holds rights to the series. Producer Stephen Silverman had argued that CBS lost rights through lack of use.



Trashed

The Garbage Pail Kids, a weekly children's cartoon show, by **CBS**, a week before its premiere. Controversial show was based on a set of novelty cards that some considered distasteful.

Bloopers



Jane Fonda exercise king **Stuart Karl** pulled a hamstring in March when he and two other Karl/Lorimar Home Video executives were asked to resign after Lorimar discovered they were owners, at least in part, of Continental Marketing Distributors, a vendor that was doing business with Lorimar. The Hollywood trades said approximately $150,000 went personally to the three executives, who denied the conflict-of-interest charge.

Karl crash

It was an odd sight, even in the wake of TV evangelists Jim and Tammy's spectacular fall from grace: Moral Majority founder **Jerry Falwell**, all 245 pounds of him, fully clothed and muttering the 23rd Psalm, hurtling down the 163-foot-long water slide at Heritage Island Waterpark, part of the PTL's Bible theme park in Charlotte, N.C. Falwell, after taking the PTL reins, had committed himself to the act in front of PTL cameras, on the condition that a thousand viewers donate a thousand dollars before Labor Day.

Jerry Falwell: Dunked in PTL's slippery slide.

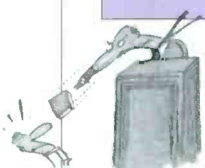
***Amerika*: The real threat is a repeat.**

It was supposed to put a chill in U.S.-Soviet relations when it aired for 14 1/2 hours in February, but ABC's pre-*glasnost* mini-katastrophe, ***Amerika***, merely put people to sleep. The longest and most expensive ($41 million) original film in television history averaged 18.8 ratings during its agonizing seven-day run, and while that was only three points below advertisers' expectations, ABC ended up as much as $15 million in the . . . red.

CBS's ***The Morning Program***, along with cohosts Mariette Hartley and Rolland Smith and assorted others, finally went down in flames November 30. The show, which featured a video dating service, stand-up comics and Hartley's dog, Daisy, all in front of a live audience, pulled embarrassingly low ratings for the network. Highlight of the nine-month fling: Hartley demonstrating to guests how to snort like a pig. The slot was returned to CBS News.

When Taft Broadcasting bought five independent stations in the summer of 1985 from Gulf Broadcasting for $760 million, the indie business was strong and the future looked rosy. But the business turned sour and Taft took a bath when it sold the five stations in 1987 to Tim McDonald's TVX Broadcast Group for a mere $240 million. One casualty of the wheeling and dealing: **Dudley Taft**, former president and COO of his family's company, who, after being blamed for the bad deal, was first demoted to vice chairman and then resigned. Later in the year, when Taft Broadcasting moved to sell its remaining seven TV stations and 15 radio stations to Cincinnati investor Carl Lindner, Dudley Taft resurfaced to reclaim the family name and launch a new Taft Broadcasting.

Dudley Taft: Name claim.



Courting

In March, **U.S. Supreme Court** upheld ruling striking down Utah law that would have allowed states to ban "indecent" cable programs.

Vestron Inc., **Hemdale Pictures** and **HBO Video** tangled over videocassette rights to *Platoon*. Vestron says producer Hemdale sold rights, then reneged. HBO claims *it* purchased rights from Hemdale.

A $30 million libel suit was filed against **Geraldo Rivera** by woman arrested during Rivera's *American Vice: The Doping of America*.

Pee-wee: Breach ball.

Roger M. King, chairman of **King World Productions**, sentenced to two years probation by a Fort Lauderdale court after pleading no contest to charges of cocaine possession and automobile theft.

Home Shopping Network filed a $1.5 billion suit in September against the **GTE Corp.**, charging that inadequate phone service and equipment had damaged its business.

Pee-wee Herman (Paul Reubens) and former manager **Richard Abramson**, sued by **Broadcast Arts** for breach of contract, OK? Also sued by **Robert Shapiro**, OK?, producer of *Pee-Wee's Big Adventure*, over breach of contract. And Reubens and Abramson to California Labor Board over Abramson's contract.

Alliances

Coca-Cola, the **Bohbot & Cohn** ad agency and **DIC Enterprises** formed **Parkside Entertainment**, a barter syndication venture.

C.O.M.B., the Minn.-based merchandiser, and 16 cable companies agreed to a seven-year affiliation.

Showtime teamed with an unwilling **HBO** for an unlikely ad campaign: "HBO and Showtime. It's Not Either-Or Anymore." **HBO** protested but couldn't halt the campaign.

HBO and **Coca-Cola** agreed to coproduce and distribute 15 cable films to be licensed by Coke for foreign theatrical release. Both companies commit $70 million to the project; production costs will be shared.

Jonathan M. Tisch, nephew of **CBS** CEO **Larry Tisch**, wed **Laura Steinberg**, daughter of **Saul Steinberg**, owner of four Spanish-language TV stations, uniting two broadcasting houses.

ILLUSTRATIONS BY HAL MAYFORTH

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Coveting Thy Neighbor's System

As TV station trading slowed after a record '86, investors lined up in '87 to buy a piece of 'the best business in America'

When the history of getting and spending circa 1987 is written, it will no doubt go down as the year cable came of age: Investors jockeyed as never before to grab hold of the high wire.

"Many on Wall Street—at least the smart ones—think [cable] is the best business in America," said First Boston's Richard MacDonald at this year's National Cable Television Association Convention. And though some accuse cable of being the nation's "only unregulated monopoly," denigration didn't translate into depreciation.

Indeed, while the total number of TV-station transactions declined after a record 1986, it was investors' interest in cable systems that made most of 1987's news. As reported by Paul Kagan Associates, there were 233 cable transactions (including brokered and non-brokered deals) totaling $6.6 billion through mid-1987. In 1986, 456 systems with a total value of $8.9 billion changed hands, compared with 311 deals at $8.4 billion the year before.

Prices paid per subscriber have also increased dramatically—from the benchmark $1,000 per sub in 1985, to $1,500 in 1986, to more than $2,000 in 1987. (In contrast, per-viewer price in TV-station transactions slipped below $2,000 last year.)

"Cable is just beginning its growth curve," says Sharon Armbrust, senior analyst with Kagan. "Deregulation, multiple revenue sources and a strong ad forecast have made cable properties more popular than ever." Many observers thought the increase in capital-gains tax and the repeal of Section 322 of the General Utilities Doctrine on liquidation would inhibit sellers and buyers in 1987. But cable apparently remained too good to pass up.

TV presented another picture. In 1986, a record 167 stations with a total value of $6.8 billion changed hands. As of September 1987, only 93 stations, with a value of $4.9 billion, had been traded.

Clearly, a major factor in 1986's record was the rush to sell before less favorable capital-gains taxes kicked in as of January '87. David Cole, vice president of Broadcast Investment Analysts, a Washington-based consulting firm, says other factors contributed as well to increased investor caution.

"Not only was there more competition among stations for advertisers and viewers, but there were continuing high programing costs," says Cole. Couple that with a few prominent bankruptcies among station owners and the watchword was caveat emptor. Analysts say these factors, as well as shrinking margins for independent stations, resulted in Lorimar-Telepictures' stalled purchase of the Storer stations early in '87. (Kohlberg Kravis Roberts and Co. successfully sold a majority interest in Storer to George Gillett at a later date.)

The softening of TV station prices was also reflected in the steady drop in per-viewer prices—from approximately $2,100 in 1985 to around $1,950 in 1986. While the final results are still being analyzed, indications are that 1987's average will also be below $2,000.

But for cable systems, as analyst Paul Kagan says, "We haven't seen the highest prices yet."

JOSEPH VITALE

BIG DEALS OF '87

Cable Systems

Buyer	Seller	Subscribers	Price	Price per Subscriber
Jack Kent Cooke	McCaw Communications	433,000	$755 million	$1,744
Cablevision Systems	Adams Russell[1]	230,000	$475 million	$2,065
Jack Kent Cooke	First Carolina Comm.[1]	156,000	$300 million	$1,923
Robert M. Bass Group Inc.	Prime Cable of Atlanta	140,000	$300 million	$2,143
Scott Cable Comm.	Simmons Communications[1]	133,000	$186 million	$1,398
First Carolina Comm.	James Communications[1]	100,000	$166 million	$1,666
Cablevision Industries	Valley Cable TV/Hollinger Inc.[1]	60,000	$103 million	$1,717
Adams-Russell	R.R. Donnelley[1]	56,000	$91 million	$1,784

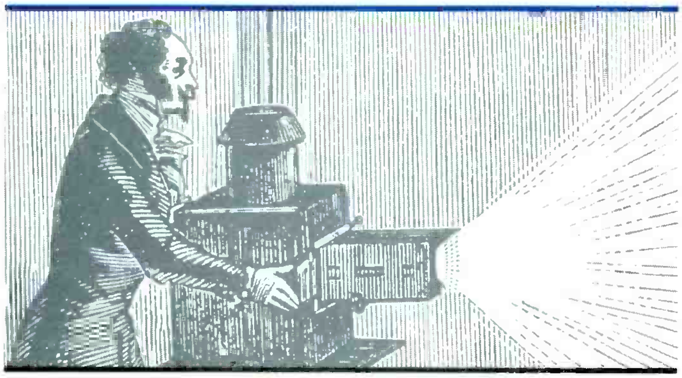
TV Stations

Buyer[2]	Seller	Stations/Markets	Price	Price per Viewer
SCI Television Inc./ GCI Partners[3]	Storer Communications (KKR)	WAGA (CBS) Atlanta, Ga. WSBK (Ind) Boston, Mass. WJW (CBS) Cleveland, Ohio WJBK (CBS) Detroit, Mich. WITI (CBS) Milwaukee, Wis. KCST (NBC) San Diego, Calif.	$460 million $150 million $150 million $200 million $50 million $275 million (total $1.3 billion)	$2,204 $3,599 $1,269 $1,359 $ 805 $5,709
Gillett Holdings	Gaylord Broadcasting	WTVT (CBS) Tampa, Fla.	$365 million	$2,936
Price Communications	Clay Communications	WAPT (ABC) Jackson, Miss. WJAC (NBC) Beaumont, Texas KDFX (NBC) Wichita Falls, Texas WWAY (ABC) Wilmington, N.C.	$60 million $60 million $60 million $60 million (Total $240 million)	$890[4] $890 $890 $890
NBC (General Electric)	Wometco Broadcasting (KKR)	WTVJ (CBS) Miami, Fla.	$270 million	$2,955
Walt Disney Co.	GenCorp (RKO General)	KHJ (Ind) Los Angeles, Calif.	$217 million	$1,668
Toledo Television Inc. (Management Group)	Storer Communications (KKR)	WTVG (NBC) Toledo, Ohio	$65 million	$1,702
Burnham Broadcasting	Gaylord Broadcasting	WVUE (ABC) New Orleans, La.	$60 million	$1,219
Anchor Media, Ltd.	Wometco Broadcasting (KKR)	WLOS (ABC) Asheville, N.C.	$50 million	$1,137
Smith Broadcasting	Shamrock Broadcasting	KEYT (ABC) Santa Barbara, Calif.	$30 million	$3,718

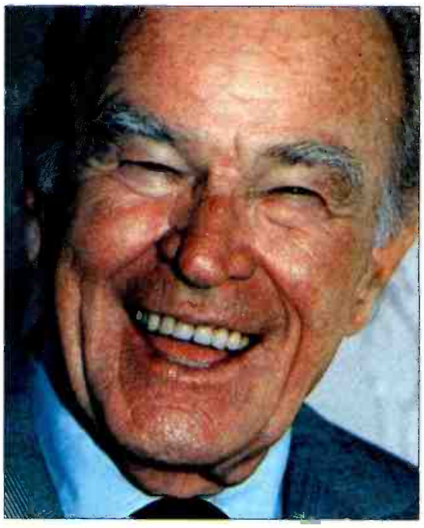
[1]Deal pending as of November 1987. [2]In some cases, deals are pending. [3]Gillett paid $600 million for 60 percent interest in Storer stations. Transaction value used as if Gillett had purchased 100 percent of assets. [4]Price per viewer based on combined cash flow and total viewers for four stations.
Sources: Paul Kagan Associates, Morgan Stanley, offering documents.

MEDIA PEOPLE

10 To Watch In '88



Surf's Up in the next 12 months for this crew of media movers. Will they catch their waves?



Jack Kent Cooke

Watching Jack Kent Cooke's cable empire uncrumble is very like watching fast-action photography in reverse. In a few brisk moves over a mere 12 months, the tempestuous former chairman of Teleprompter, then the largest of the cable industry's multiple-system operations, has put back together an MSO that ranks among the country's top 15. In January 1987, the Canadian-born Cooke, who owns the Washington Redskins, thoroughbred horse-breeding and racing operations and real-estate interests, including the Chrysler Building in New York, helped provoke the somersault that overturned expectations of much-lowered prices on cable systems after new tax reform took effect that month. He bought McCaw Communications' 42-market operation, with 434,400 subscribers (and penetration of 58 percent), for $750.5 million. On a per-subscriber basis, the deal came to $1,740, surprisingly close to 1986's duck-the-tax premium prices. McCaw became Cooke CableVision in Woodland Hills, Calif., reporting to general manager Terry St. Marie, formerly a CPA at Ernst & Whinney in San Antonio, who concentrated on cable-company audits. There are now, he says, 900 employees, some of them former McCaw people, in the cable operation. Less than six months later, Cooke CableVision was reporting to Cooke Media Group, a subsidiary of Jack Kent Cooke Inc. It announced it would acquire First Carolina Communications in a stock transaction worth some $300 million. The deal becomes final in January 1988. If the rumor mill is correct, Cooke will also add Storer properties. Meanwhile, Cooke has added to system acquisitions a pinch of programming: The firm has taken a small ($1 million) piece of the Nostalgia Network. All told, an impressive recipe for re-entry.

JERI BAKER

Other producers have had to struggle with the logistical nightmare of televising the Olympic Games. But none has had to keep the cameras rolling while a civil war erupted between the javelin throw and the 200-meter backstroke. Though no one anticipates a full-fledged insurrection in Seoul when the Summer Games get under way in September, the South Korean political situation is just one of the things Terry Ewert has to keep his eye on. As coordinating producer of NBC's coverage of the '88 Games, the 36-year-old Ewert will oversee the entire package, as well as a staff of 1,200, during 180 hours of coverage. "We're making preparations for anything," he says. "We're going into this as a sporting event, but our news department will be there in force." Protests against President Chun Doo Hwan have raged for two years, and for a time the Games appeared in jeopardy. Now Olympic officials and NBC are counting on the December '87 elections, and Chun's departure, to stabilize the situation. The Seoul Games have been a trial from the start. The South Korean who negotiated the TV pact ($300 million plus a portion of ad revenues) was fired for agreeing to a paltry contract. The North Koreans then demanded co-sponsorship—and half the revenues. The South Koreans refused. Now the Pyongyang government

ALAN SINGER

Terry Ewert

and radical South Korean students are promising to disrupt the Games. But Ewert is counting on a sense of Korean pride to prevail. He'll also need the indulgence of NBC's affiliates. Many are unhappy that the mostly prime time, 75-percent live coverage (beginning at 7:30 P.M. EST) will cut into their late news, and are after NBC to open a larger window.

JOSEPH VITALE

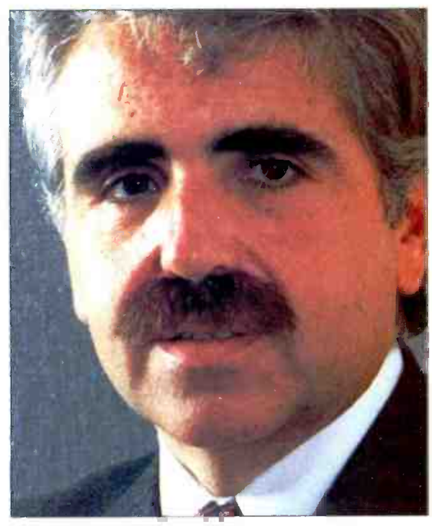
T. THOMPSON

Bob Furnad

Bob Furnad, v.p. and senior executive producer for Cable News Network, has been following presidential nominees since his radio coverage of the Johnson-Goldwater campaign in 1964. Now 23 years and five presidential campaigns later, Furnad is still at it, and about to launch into one of the most exciting election years since the Kennedy-Nixon race in 1960 when—as is the case in '88—there was no incumbent. But not only is Furnad knee deep in the ordinary journalistic rigors of the campaign trail, he and his staff are trying to change the rules by which TV has for years covered the candidates. With the launch of CNN's weeknightly show *Inside Politics '88* last November, Furnad, who joined CNN in '83 to head coverage of the '84 elections, ushered in the tack CNN will take in covering the campaign for 40 million cable viewers. The show goes beyond stories reported on CNN. "Rather than getting sucked in" by the candidates on the same issues, as Furnad says, *Politics '88* is carefully structured around themes, such as candidates' policies on trade. The show's wild card is Frederick Allen, formerly of the *Atlanta Journal/Constitution*, who analyzes the day's news. But his analysis, unlike broadcast correspondents', is labeled as such. Furnad is also requiring that every staged campaign event CNN telecasts be slapped with the explanation "made-for-TV event." CNN will also produce features on how each candidate has used the media. "We have to educate the public," Furnad says. "Are we being used? You, the viewer, make up your mind." He says more is expected of CNN because it is on 24 hours a day. But one wonders if the highly charged Furnad would have it any other way. "Hopefully," he says, "we'll get past the glitter."

CECILIA CAPUZZI

In 1984, New York City-based Infinity Broadcasting bought a pair of ailing Chicago radio stations for $13.5 million, an excessive price considering that they were losing well over a million dollars a year. One year later, under the guidance of Infinity's hands-on executive v.p. Mel Karmazin, the stations made $2.5 million. Today, they are valued at more than $50 million, one more notch in the belt of Infinity, which has ridden the wave of low interest rates, government deregulation and skyrocketing station prices to become a leader among the new breed of station group owners and the country's largest radio-only broadcaster. If Infinity is a driving force in the exploding radio market, Karmazin is the driving force at Infinity. Since coming aboard in 1981, he has helped it acquire 13 radio stations while selling only three. His experience as v.p. and station manager at New York's WNEW-AM/FM during his 11 years with Metromedia have served Infinity well. The company's record of turning losers into winners is among the best in the industry. Perhaps his best move at Infinity has been his strategy of acquiring major-market stations only. It has 12 in the nation's top 10 markets, and cash flow has grown from $3.4 million in 1981 to a whopping $14.9 million last year. Analysts say this figure could reach $50 million next



Mel Karmazin

year. In 1988, Infinity aims to acquire three more FM's. And it has big plans for the lackluster AM market, with ideas ranging from syndicated AM programming to the development of an AM network. At its current growth rate, analysts predict it could be the country's third-largest radio broadcaster in 1988, trailing only CBS and Capital Cities/ABC.

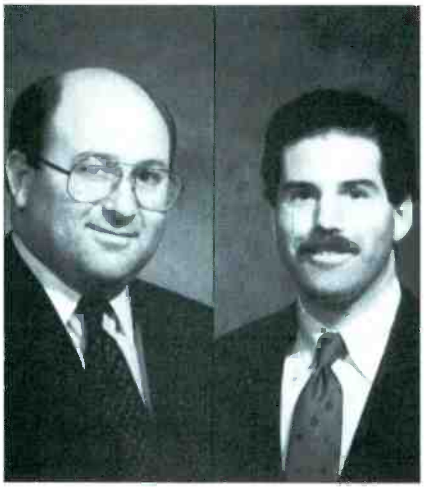
PAUL NOGLOWS

Victor Kaufman

When Coca-Cola Television lost its chairman and CEO, Frank Biondi, last summer, TV execs wondered how Coke TV would fare under the sole hand of Biondi's boss, Francis Vincent, a relative newcomer to entertainment. Coke provided an answer that no one expected by announcing in September that it would merge its entertainment businesses—including Coca-Cola Telecommunications, Columbia/Embassy TV and Columbia Pictures—with Tri-Star Pictures. The new venture, to be headed by 44-year-old Victor Kaufman, Tri-Star's chairman and CEO, was dubbed Columbia Pictures Entertainment (CPE). Kaufman, a former Wall Street lawyer and vice chairman of Columbia Pictures, had made a name as a financial whiz in the formation of Tri-Star, a joint venture between Coke, Time Inc. and CBS. In the five years since, he's certainly had successes, including *The Natural* and *Places in the Heart*. Tri-Star TV, with Scott Siegler as president, had three series on networks at the start of the '87 season: *Buck James*, *My Two Dads* and *Werewolf*. But while Kaufman adequately managed the mid-sized Tri-Star—1986 sales were $254 million—show biz types on both coasts wonder whether the merged company will be too much too soon. The pieces of CPE had combined sales last year of over $1.5 billion. In Kaufman's favor, he'll have plenty of veteran help in TV: Gary Lieberthal, chairman and CEO of Columbia/Embassy TV, Barry Thurston, syndication president of same and Tri-Star's Siegler all will hold similar titles in the new Columbia Pictures TV division. In fact, simply reconfiguring the strong-willed executives into a smooth-running team will silence many doubters. But then it will be time to make some *big* hits.

JOHN FLINN

Gregory Barber and Jonathan Nelson



Media watchers will remember Narragansett Capital as Dudley Taft's partners in his unsuccessful bid to retain control of Taft Broadcasting, but the Providence-based financial concern has become much more than just a source of capital. In fact, Narragansett's principals in the media field, managing directors Jonathan Nelson and Gregory Barber, say that by 1990 they expect to control a diversified media empire with a million cable subscribers, a half-dozen larger-market network affiliates and a host of radio and newspaper properties. With proven aggressiveness and capital-raising skills, Barber and Nelson may well succeed. And unlike many other new entrants in the field, they say they're in it for the long haul. Barber, 38, joined the company in 1978 after 10 years in cable and broadcasting. Nelson, 31, followed five years later. Since teaming up, they've acquired KOVR-TV in Sacramento, five radio stations and cable systems with some 350,000 subscribers. About 300,000 of them are owned jointly with cable veteran Monroe Rifkin. The Taft experience demonstrated that Narragansett could raise $2 billion, and Barber and Nelson are likely to get more attention in 1988 because of their commitment to finding the right large transaction. Their solid relationships with insurance-company and pension-fund financing sources suggest money won't be a problem. Moreover, they're not intimidated by high acquisition prices. Barber says their bread and butter is "undervalued and undermanaged" cable and broadcasting properties in strong markets. "There will be cycles when we can't buy," says Nelson. "But we intend to become a major player."

MERRILL BROWN

James H. Rosenfield

In his 20 years at CBS, James H. Rosenfield came up with a private vision of nirvana. It included "a TV or radio station on one of the three coasts, with a boat in the front yard and a golf course in the backyard and an opportunity to do editorials." In 1985, he took early retirement from CBS, leaving his job as senior executive v.p./CBS Broadcast Group to pursue his vision—and soon got sidetracked. Last April, Rosenfield and a group of investors acquired the assets of John Blair and Co. from Saul Steinberg's Reliance Capital for some $118 million. The spin-off company, John Blair Communications, includes two divisions: Blair Television, powerhouse of the rep industry, and Blair Entertainment, a smallish first-run production and syndication company. The first order of business for Rosenfield, chairman and CEO of Blair, has been damage control. The firm's image was bruised when it expanded beyond its core business and diversified into radio and TV stations and other interests. After Reliance took over in June, 1986, clients feared the rep division would soon be put on the block, and some left the company. Mondo-client Capital Cities/ABC also left, for other reasons. With stations squeezing rep commissions and demanding more services, Rosenfield, 58, is bringing fundamental changes to the firm: regionalizing authority and developing software products for clients' research departments. The aim, Rosenfield says, is to boost billings $100 million by the end of the first year. Entertainment, for example, is aggressively acquiring shows for distribution, stepping up first-run syndication and becoming more involved in production. Not a boat or a backyard golf course, but Blair just might turn out to be Rosenfield's nirvana—and he could be its saving grace.

CAROL HALL

What happens when a *Dynasty* ends? For Esther Shapiro, co-creator, executive producer and owner (along with her husband) of the prime time soap, a whole new world will open up. But who said *Dynasty* is calling it a wrap? The show is in its eighth season on ABC and going strong, but Shapiro, who is also senior executive v.p. for Aaron Spelling Productions, sounds weary when she talks of it. ("It has pretty well run its course.") The other factor in her immediate future is her desire to *run* something. "The fact is," she says of Spelling, "that if I'm not to be president of the company in a short time—and I'm not sure that is likely because I'm not sure Aaron is going anywhere—I suspect that I'll be running a company of my own." Where that might take her is into European TV. She's on the verge of cutting deals with foreign programmers, but will keep her hand in domestic TV and film production. She's just done a new ABC mid-season replacement for Spelling called *Private Practice*, and is in the midst of developing a series of theatrical films which she thinks can be mass produced by the same crew at the same time, at enormous savings. Then there's the new AIDS book, *And the Band Played On*, and a James Cagney biography, both of which Shapiro's turning into miniseries. *Dynasty* was a radical departure for the former network v.p., who delivered such quality fare as *Friendly Fire* and *Minstrel Man*. "It was an attempt to see if we could do pure entertainment and make a substantial amount of money so we could do these other things. I think we've done that. So if I don't do something of value, then what's it all about? Just to collect art and buy big houses? That isn't what I do."

PETER AINSLIE

Esther Shapiro

Carolyn Wall

Fox Television surprised the industry last June when it announced the new general manager for its flagship station, WNYW-TV in New York: nonbroadcaster Carolyn Wall. An import from Murdoch Magazines, Wall is the former publisher of *New York* magazine (and *Adweek* before that), and was serving at the time as executive vice president in charge of Murdoch's 21 consumer and trade publications. But most surprised of all was Wall. "I'd been moved or promoted before," she says, "but not this dramatically, from one medium to another. It was quite unusual." But not unprecedented. Late last year, Fox plucked Joe Robinowitz from the *Boston Herald* and moved him to the general manager's spot at its WFXT-TV in Boston. "There was an interest in providing a fresh approach—someone who was not necessarily from television," Wall explains. But she's quick to note: "I don't think there's any expectation that cross pollination will become commonplace in this company." Since moving into the TV spotlight, Wall's learned a few things. She describes her reception from the industry "as guarded but cordial. It was not as difficult as I would have expected if I'd had time to think about it," she says with a laugh. "The business fundamentals are really the same. But the detail is quite different. It's a more unforgiving and less precise business than print—and more visible." Wall notes that, with two local newscasts and *A Current Affair*, "Our commitment to news has been demonstrated." And under her reign, it will continue. "Information and relevancy is what I would call our new emphasis and direction." Wall says the station's next locally produced shows will reflect that: "I'm personally very interested in information programming."

JOHN FLINN

When John Waller III left his HBO job in 1982 to start his own cable-brokerage firm, a lot of his fellow workers thought he was crazy. HBO was growing at an unprecedented rate and as a divisional manager, Waller had a great job, controlling over 300 cable accounts. But Waller, it seems, gets the last laugh. In 1986, Waller Capital Corp. brokered more than $250 million in cable deals and in 1987, he says, the total will break $1 billion. So how did a baby-faced 36-year-old come from practically nowhere to become one of the country's top three cable brokers? Waller credits his success to a number of factors, not the least of which is timing. The cable industry has exploded in the last three years. Deregulation, coupled with low interest rates, new methods of financing and skyrocketing system values, culminated in $4.1 billion worth of brokered cable deals in 1986. As the financials of the deals became increasingly more complicated, Waller saw an opportunity to enter the cable-brokerage business, which was then a "good old boy network," from a different angle: "a New York, Wall Street, financial perspective," he says. His emphasis on the numbers and his strong ties to Wall Street have enabled him not only to set up deals but to provide financing for them as well. The increased volume of business, he says, has not diminished his dedication to personal service for his customers. To ensure this, Waller keeps his company small. The professional staff includes only Waller and three others, which enables him to be directly involved with every deal. In 1988, Waller expects to broker deals worth more than $1.5 billion, and he says he'll be the top cable broker in the country.

PAUL NOGLOWS

PAUL HARRIS

John Waller

Most shows come and go, but the competition is here to stay.

MARKET	STATION	DAYPART	PROGRAM REPLACED
Houston	KPRC/N	Access	NEW HOLLYWOOD SQUARES
Cleveland	WEWS/A	Late Night	BARNEY MILLER
Minneapolis	KARE/N	Access	$100,000 PYRAMID
Sacramento	KXTV/C	Access	NEW HOLLYWOOD SQUARES
Milwaukee	WITI/C	Access	CARD SHARKS
San Diego	KFMB/C	Late Night	CBS LATE NIGHT
Jacksonville	WTLV/A	Access	NEW DATING GAME
West Palm Beach	WTVX/C	Late Night	CBS LATE NIGHT
Syracuse	WSTM/N	Access	NEW NEWLYWED GAME
Cedar Rapids	KCRG/A	Access	NEW NEWLYWED GAME
Fargo	WDAY/A	Access	TRUTH OR CONSEQUENCES
Springfield	KSPR/A	Access	TRUTH OR CONSEQUENCES
Traverse City	WPBN/N	Access	TRUTH OR CONSEQUENCES

ENTERTAINMENT® TONIGHT

We are the competition.

Paramount 75th Anniversary
A Gulf + Western Company™

CORPORATE PLAYERS

BIG 40

Stacking the country's 40 biggest media concerns by revenues takes an investigative eye with wide-angle vision. Our chart below not only shows each company's projected 1987 electronic-media revenues, but breaks down corporate facades into their many facets. Altogether, our Big 40 had combined projected revenues of $29.6 billion for '87.

America's Family Network.

The Disney Channel.

One channel fits all.

There's something for every member of the family on The Disney Channel.

It's like getting three channels in one.

Mornings and afternoons are for kids. They'll enjoy programs that entertain as well as educate. Early evenings, the whole family will share quality movies, specials and first-run series together. And when the kids are off to bed, there are programs for adults to enjoy.

When it comes to pleasing every member of the family, there's nothing else like it on TV, cable or broadcast.

It's no wonder The Disney Channel continues to be the fastest growing pay channel on cable. With the highest customer satisfaction ratings.*

It's time you took a fresh look at The Disney Channel. The one channel tailored to fit America's families, perfectly.

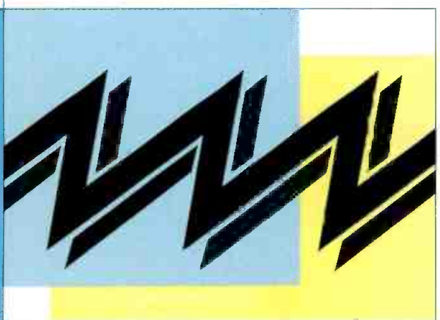
*Source: The Disney Channel Quarterly Consumer Tracking Study, 1987.

The Disney Channel

America's Family Network™

Target Practice: The Networks Under the Gun

How they set their sights on their own excesses, on people meters, on affiliates, on cable. And how true was their aim.



In 1975, black limos used to shuttle Arthur Taylor, then president of CBS Inc., and his entourage of anti-cable lobbyists from Capitol Hill to the FCC. Depending on whether you agreed with CBS about cable deregulation (against) and copyright legislation (for), the cars were a symbol of network lavishness that entertained or enraged.

In 1987, the more timely network symbol is covered wagons, drawn into a circle. And the rifles are as likely to be aimed inside as out.

ABC, CBS and NBC, all in their first full year under new management, had a crowd of new adversaries in 1987. First in setting a new tone was a stunning harshness by those executives in their dealings with inherited senior executives. The executives in turn lashed out at their affiliates, raising the issue of reduced compensation. And the affiliates in *their* turn made program preemptions a matter so controversial that consumer newspapers wrote about it.

Meanwhile, Fox Broadcasting was mounting a genuine fourth network. Cable networks continued to gain audience while broadcast networks lost it. Two ratings services provided national people-meter data that overturned a good deal of what clients thought they'd known, and left a good deal else to faith and hope. NABET struck NBC, braving the possibility of union-busting by parent General Electric.

The backdrop to all this was no less grim in the networks' view. Virtually every 1986 study foresaw declines in ad revenues and audience shares in a "mature" industry. CBS predicted average 3 percent gains for the networks in 1987; ABC doubted even that was possible. Up-front sales for fall would be soft, prophets said, supporting the wisdom of stringent cost-cutting.

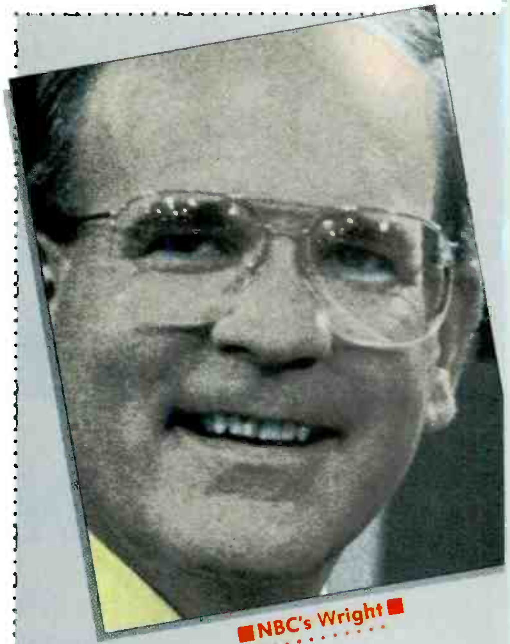
All the networks faced the same imperative: Cut costs, fight for share in a no-growth market. There had been 2,000 to 3,000 layoffs by January, perks had been dispensed with—on the advice of three sets of consultants. All three networks talked about cutting affiliate compensation, but only ABC raised it with its stations. CBS was dissuaded by the fury of its own. NBC saw an opportunity to win affection at rather little cost and slightly raised its affiliate payments.

Analysts' 1986 speculation that one of the networks could go under, "probably in 1990, when four and a half try to do business in an arena big enough for only two and a half," as First Boston's Rich MacDonald put it, passed in 1987 into the common wisdom. It was repeated by network executives, whose fare was now carried to viewers' homes more commonly by cable than by over-the-air signals. And in those cable homes, viewership of the major broadcast networks often dropped toward 50 percent. CBS vice president of marketing David Poltrack underlined the obvious when he acknowledged audience unwillingness "to settle for repeats of network programs when alternatives offer top movies and original fare."

The networks were recognized as accomplices in their own decline. Advertising rates went up at such a pitch in the early years of the decade that advertisers were encouraged to find new vehicles. Meanwhile, network rates tripled—from a cost-per-thousand in prime time of $2.61 in the '74-75 season to $7.76 in '84-85, reports Bozell, Jacobs, Kenyon & Eckhardt. It was the period of 10-, 15- and 20-percent annual increases in ad revenues and the promise of a continuing pattern. Scatter prices, too, bounded reliably. But by 1985, advertisers had dug in their heels. Commitments for the '85-86 season were flat, except at NBC.

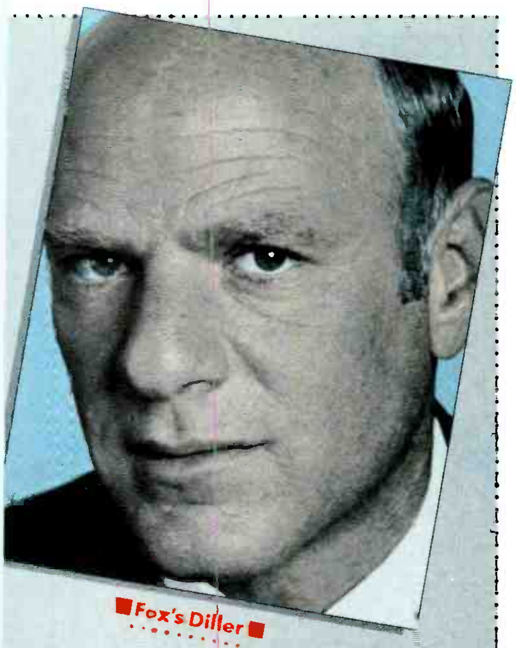
The year 1987 was expected to be the worst of all. Alternative media had matured into strength; the networks had matured into stagnation. But along came the most bullish up-front market broadcasters had ever seen. The Big Three wrote some $3 billion in up-front sales, up from $2.6 billion in '86-87.

Prompted by an engaging fallibility, PaineWebber's chief media analyst J. Kendrick Noble wrote recently, "[T]he long-term future of network television has seldom been less clear . . . [O]ur long-term view of national advertising in general, and network TV in particular, is admit-

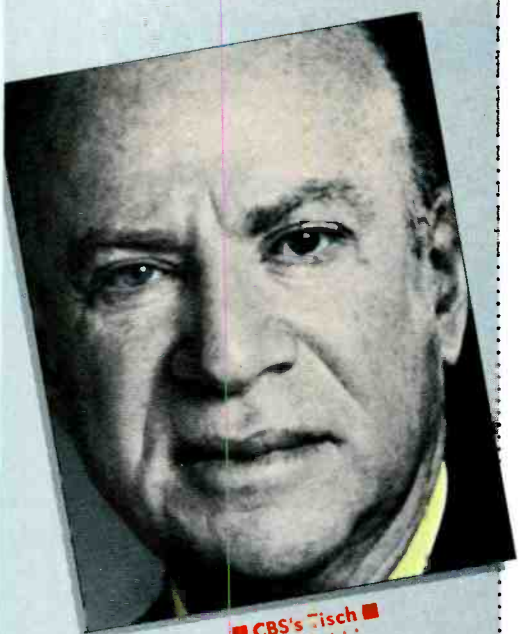


NBC's Wright

ABC's Murphy



■ Fox's Diller ■



■ CBS's Tisch ■

tedly uncertain . . . " And this *before* the stock market's October 19 gyrations. Here's a look, network by network, at the tumult that characterized 1987 and propels 1988.

ABC—KEEPING UP IS HARD TO DO: Unhappily familiar with the ratings cellar, ABC made program changes in the new season for every night except Monday. The major carry-through from the 1986-87 season is the strategy of seeking younger viewers (18-49) and trying to knock CBS out of second place. (CBS has the same intention toward ABC, of course, but ABC's 1987-88 rights to the Super Bowl, the World Series and the Winter Olympics make it a hard job.)

ABC was the last of the networks to renew its contract with A.C. Nielsen, finally signing in late September, post-deadline. It wound up dealing with its doubts about the ratings service's people-meter technology by securing—and paying $5 million, or $500,000 more than its competitors for—guarantees on service plus rebates if Nielsen can't meet the criteria ABC has set for its performance.

Despite Wall Street's admiration for Capital Cities/ABC, just about to mark its second anniversary as an entity, CC's own warning about a flat second-half '87 arrested some enthusiasm. Its 5 percent-or-less gains in the up-front market were lowest of the Big Three. Though station strength mitigates overall results for the company for the year, *Channels'* averaging of analysts' 1987 estimates for the network turns up a $15 million loss on year-end revenues of $2.145 billion, compared with the $70 million loss it showed, after acquisition write-offs, on 1986 revenues of $2.075 billion.

CBS—MISERABLE IN THE MIDDLE: Like ABC, CBS made programming changes every night but one, Sunday. Disappointed with results of its attempt last year to win the younger audience with its comedies and dramas, it staked out the adult male. That might also let it profit from people-meter technology, which seems to report higher male viewership.

As expected, CBS CEO Laurence Tisch has continued to divest CBS Inc. of its non-broadcast properties, in a reversal of a management strategy that had seen the 60-year-old network pick up 40 different businesses at one time or another. Tisch as whittler has rid it of educational and music publishing and magazines. The records division may follow.

Tisch also sold a one-third interest in SportsChannel Associates, a pay cable channel in which it invested with The Washington Post (also out) and Cablevision Systems Corp. The flush of new cash from such divestitures, Tisch says, will be used to buy one or more stations to fill out its O&O allotment. The network would hardly want stations in other than the top 20 markets. It could acquire three without exceeding the 25 percent coverage the FCC permits.

Proving himself a perk-snatcher the equal of CapCities or GE, Tisch rid the company of its grace-and-favor details. In addition, he found CBS Broadcast alone could do without some 1,000 employees, 215 of them in the news division.

Channels' group of advisory analysts estimates the network will show pretax income of $45 million on revenues of $2.3 billion in 1987. That's a steep decline from 1986 pretax income of $80 million on $2.27 billion in revenues, but it is not the loss predicted.

NBC—SUCCESS WITHOUT SWEETNESS: Riding high in the ratings, with the longest chain of sweeps victories in its history behind it, NBC made even fewer programming changes for the fall season than it had last year. Like CBS, it made a deep bow to the new ratings technology by renewing some shows found people-meter friendly and demographically desirable rather than highly rated.

In addition, entertainment president Brandon Tartikoff introduced "designated hitters" as a way to continue production on promising shows and familiarize viewers with them in case they wound up as replacements. Each show surfaces in a particular time period once a month.

The network was struck on June 29 by the broadcast technicians' union, NABET. It led 2,800 employees into a walkout that, after 17 weeks, won it few concessions. NBC then said it would cut perhaps 700 jobs by year-end '88.

Robert Wright, NBC's president and CEO, and John Welch, chairman of NBC and GE, take an equally stern attitude toward their other constituencies. Each is infamous as much for the tone of his communiqués as for their content. Welch, for example, told 100 senior executives that they were "rooted in the past," and if they couldn't manage to change, there were others who would replace them.

Wright has been firmly but unsuccessfully elbowing a way into the ranks of cable-program suppliers. He scolded a cable-marketing group for the industry's insistence on equity in return for distribution and its stiff posture toward syndicated exclusivity.

Under a federal consent decree, networks can produce only three hours of prime time programming per week. (The total rises to five in 1990.) It can syndicate none of it. Wright is clearly looking toward the day when NBC can be a major producer and says it already has plans for more specials, miniseries and perhaps series for the three hours available. In return, it gets cost control and syndication opportunities. Cable as a buyer merely hurries along the process.

Though GE management cannot take credit for the network's programming successes, NBC's financial results are partially due to its cost cutting. The network is expected to show a gain of $369 million in pretax income versus $244 million in 1986,

THE AIR

the only rise among the trio. Revenues should come in at $2.7 billion, compared with $2.5 billion in '86.

FOX—TALLY HO: DuMont tried in the '50s, United Network in the '60s, Paramount in the '70s, Metromedia in the early '80s. But none successfully fathered a fourth network. On April 5, 1987, Fox Broadcasting took step two toward what appears to be the most credible launch yet. On that Sunday night, FBC culminated a $12 million to $13 million campaign with the premieres of *Married . . . With Children* and *The Tracey Ullman Show*. Step one, the October '86 debut of *The Late Show Starring Joan Rivers*, had already proved inauspicious, and was awash in make-goods by her last night on May 15.

By July, FBC's weekend prime time schedule was filled. By September, Nielsen reported FBC shows taking up eight of the bottom ten slots on its season-average ranking. The group pulled down an average 3.0 rating. With ratings of 10s and 12s in the major markets and a 6 nationally, "we'd be an outstanding success," says Rupert Murdoch, owner of FBC parent Twentieth Century Fox. Anyway, he claims losses will be more than covered by increased cash flow in the seven FBC O&Os. As they rise in value, the formation of the network justifies itself, says Fox Inc. chairman and CEO Barry Diller. FBC's New York station charges $1,500 for a 30-second commercial run during its syndicated fare, but sells time in Fox fare at $10,000 to $12,000. Nevertheless, by June 1987, Fox showed a $40 million loss on $40 million in revenues, with half of $80 million in expenses having gone for promotion of the upstart net.

FBC executives are colorfully at odds with their counterparts at the major networks. Former CBS executive B. Donald Grant deemed it the worst possible time to get into a business of shrinking audiences and declining ad revenue. Retorted FBC's senior v.p. of marketing David Johnson: "I agree there's no room for a fourth one of *those* companies. But who'd be stupid enough to want to start one? We are not a swollen, festering body like one of the Big Three." FBC president and COO Jamie Kellner judged it a perfect time to start. "There's a lot of confusion in the marketplace" and competitors have made the networks more vulnerable, he said.

Indeed, the newcomer was so encouraged by its up-front market—just over $100 million strong—that it considered filling prime time on Friday before year-end 1987, ahead of its scheduled launch in 1988.

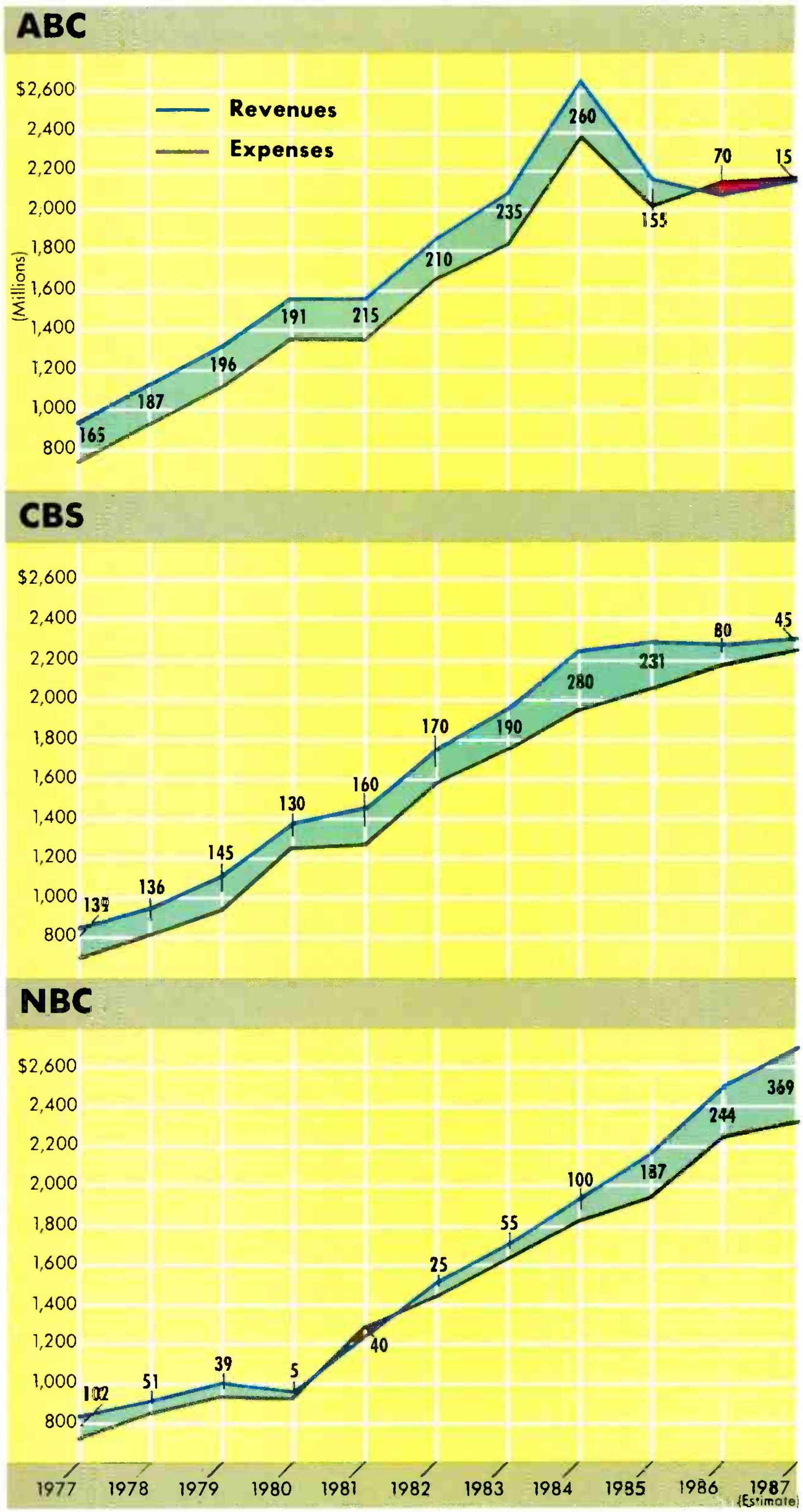
Can black limos and executive apartments be far behind?

JERI BAKER

NETS' GAINS, NETS' LOSSES IN MILLIONS

(Operating Results of Television Networks 1977-87)

It is quickly visible how close 1987 came to being the first year in which two networks showed a loss on this combined rendering of revenues and pre-tax income, with profit (green)/loss (red) in between.

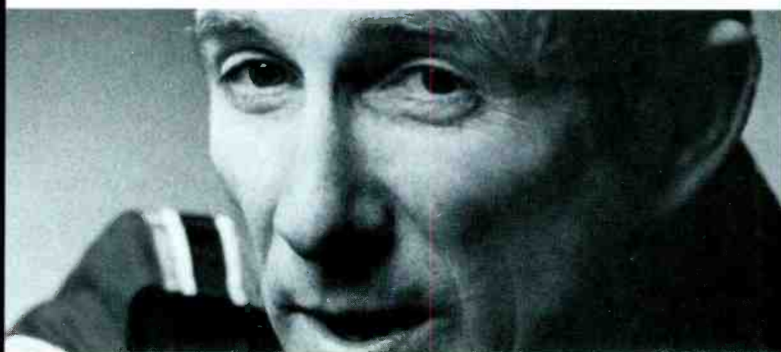


Sources: *Television Digest*, 1977-84; *Channels*, 1985-87. 1977-80 data based on FCC financial reports. 1981-87 data based on media analysts' estimates.

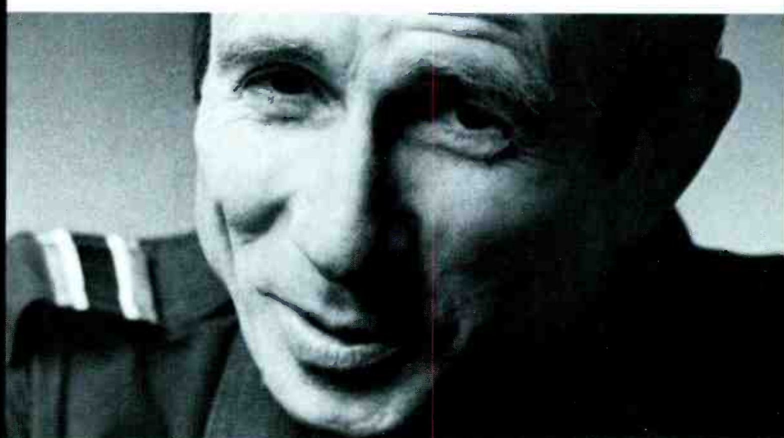
DAVID HERBICK

JAMES IRWIN
Former Astronaut

I think we're basically interested in other people.
Other human beings. And other places.

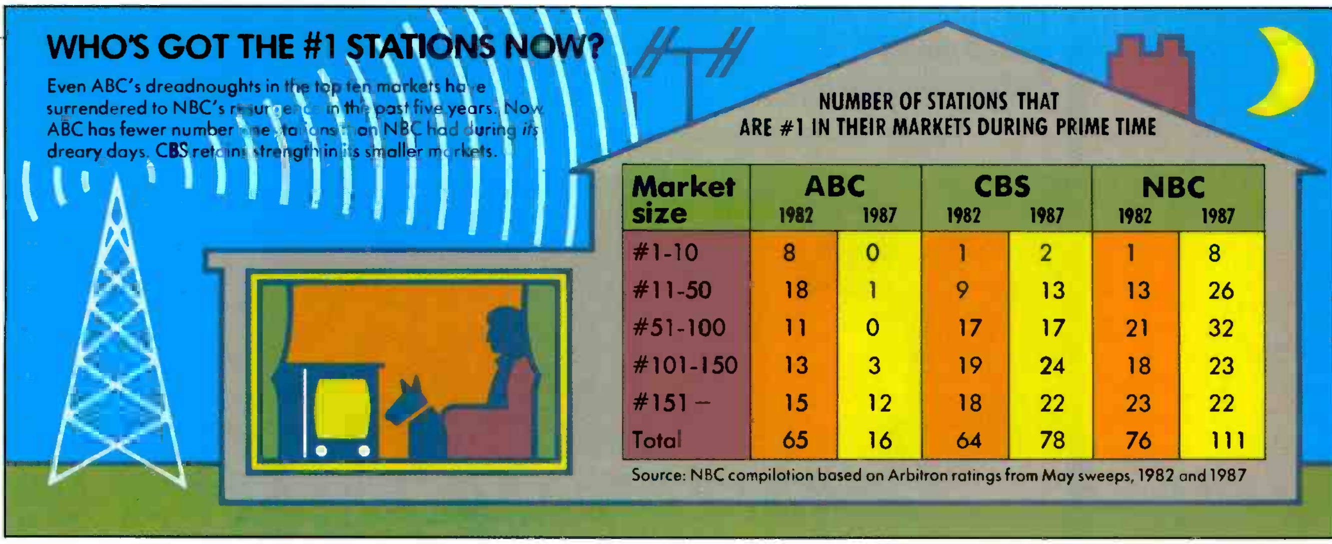


And television can take us there rather quickly.
In fact it can take us there instantaneously.
In a vicarious way we can share adventures that others



are enjoying. And so we're no longer lonely.
We're more a part
of life because of this television medium.

NBC. Tuned In To America.™



WHO'S GOT THE #1 STATIONS NOW?

Even ABC's dreadnoughts in the top ten markets have surrendered to NBC's resurgence in the past five years. Now ABC has fewer number-one stations than NBC had during *its* dreary days. CBS retains strength in its smaller markets.

NUMBER OF STATIONS THAT ARE #1 IN THEIR MARKETS DURING PRIME TIME

Market size	ABC 1982	ABC 1987	CBS 1982	CBS 1987	NBC 1982	NBC 1987
#1-10	8	0	1	2	1	8
#11-50	18	1	9	13	13	26
#51-100	11	0	17	17	21	32
#101-150	13	3	19	24	18	23
#151 –	15	12	18	22	23	22
Total	65	16	64	78	76	111

Source: NBC compilation based on Arbitron ratings from May sweeps, 1982 and 1987

DAVID HERBICK

THE AIR

NETWORK AFFILIATES

The Loyal Opposition

Cooperation butts up against harsh network economics on the perennial issues of compensation, program clearance and more

Affiliates' comments for public consumption about their overall relations with their networks sounded consistently harmonious—almost saccharine—as 1987 approached year end. Chairmen of the affiliates' boards chorused claims of "interdependence" with their networks and mutual "understanding." John Behnke, president of Fisher Broadcasting and chairman of the ABC Affiliates Association Board of Governors, purred about "a closer relationship than in the past."

Indeed, with potent cable and independent-station competition, it is not sugary sentiment but cold-blooded pragmatism that testifies to how essential the network alliance is to both its parties. But old complaints linger. Says one ABC program director from a top-20 market, "There may be a better effort, a better atmosphere between us and the network. But we're still not getting enough *results*."

Preemption once again roiled the waters as more affiliates looked longingly at quality first-run syndicated programming, such as the redoubtable *Star Trek: The Next Generation*. "Preemption is a continuous problem," says Philip Jones, CBS's affiliates advisory board chairman. "I say if [the networks] don't have programming that's doing well, why not let us see what we can do with the time periods?"

Following that thinking, 11 affiliates at year's end were preempting ABC at 8 P.M. on weekend nights to carry the new syndicated *Star Trek*. ABC senior vice president George Newi said that knocked as much as 5 points off ABC's national coverage in those time slots.

And ABC was not alone in suffering preemptions. Tony Malara, senior v.p. of distribution at CBS-TV, has said that as many as 40 of CBS's 210 affiliates failed to clear all or part of the network's 10-11 A.M. programming in the first quarter of 1987. "We're not talking one-time-only, but until-further-notice preemptions," he added, citing a "great danger" to the network's daytime cash cow.

For their part, affiliates fear that the 1988 Olympics/election-year juggernaut will invite network intrusion into local programming time. Many NBC stations, for example, already face a stalemate on the issue of an 11 P.M. local news window during Olympics coverage, says Pier Mapes, network president. The network is offering a floating three-minute window between 10:30 P.M. and 11:30 P.M. But affiliates want a regular slot. "Our local news is going to be seriously disrupted," says Robert Jones, program director at KYW-TV, NBC's Philadelphia affiliate. "Ideally, we'd love a fixed 11 P.M. newscast, with the Olympics as our lead-in."

It's the delicate nature of lead-in and lead-out relationships that helps keep partisan rhetoric gentle. For instance, the number of CBS affiliates that hold the top spot locally have increased in markets of almost all sizes, despite wobbly ratings for the network programs themselves. (See chart.)

The stations are walking a thin line, for none wants to jeopardize its share of the $400 million-plus dispensed by the three networks in compensation. General managers count on it as revenue. But in 1987, ABC and CBS became loudly vocal about their feeling that compensation is a needless anachronism. "I can see a day when it won't exist," declared one highly placed CBS executive. "Instead, stations will be paid a fee determined on a percent of hourly rates based on dayparts."

Meanwhile, NBC could afford to play hero to its affiliates, and did. It gave them a compensation increase. And while some regard NBC's boost as a "paper increase, a public-relations masterpiece," because it had been paying less to its affiliates than ABC or CBS anyway, James Sefert, chairman of the NBC affiliates board, considers the stations "well compensated." CBS was persuaded to back off from cutting compensation, but "only after many, many meetings and an economic study," says affiliate chairman Jones.

ABC did cut compensation for 16 stations—by as much as 50 percent in at least two cases. Network executives insisted they were correcting past overpayments. But Tom Hartman, TV president of Tak Communications and its KITV Honolulu, one of the stations whose payment was halved, counters, "We were not overcompensated. We're [currently] ranked 73rd [by Nielsen], but our net hourly rate from ABC is half that of Madison, Wis., which is ranked 109." The cutback, representing $150,000 a year for KITV, "will be extremely difficult to recoup," Hartman says, "and I think it's just the first step toward the other networks doing the same kind of thing."

JEAN BERGANTINI GRILLO

Indies' Happy Days May Be Here Again

With market prospects improving, indie station owners are girding for battle on must carry and syndicated exclusivity

DAVID SUTER

In the recent past, owners of independent TV stations spent most of their time in their accountants' offices, struggling with soaring programming costs, dwindling ad revenues and sometimes even bankruptcy. This coming year, the owners will more likely be found in court or marching through the halls of Congress, agendas in hand.

As the money woes that have besieged independent stations for the last few years eased in 1987, indie owners began to turn their attention to new battles: the restoration of syndicated exclusivity and the fight to retain must-carry rules.

This past year, two factors provided respite from the tyranny of the bean counters: a plateau in previously escalating programming costs and a new spurt in the value of stations. From 1984 to 1986, the cost of buying programming and producing local newscasts more than doubled. In 1987, however, those costs stabilized. Between '84 and '85, the average indie in one of the top 10 markets saw a $3.3 million increase in the cost of its syndicated programs. But from '85 to '86, those expenditures rose by only $1 million.

With potential station buyers no longer sensing that license fees are out of control, there was a modest rebound in the selling prices of independent stations in '87. For example, the Providence Journal Co., owner of Philadelphia's WPHL, failed to get its original asking price of $100 million for the station. But the more than $70 million paid by Taft Broadcasting represented a substantial increase over what the Journal had been offered for more than a year. In most cases, analysts agree, an improved cash flow has reduced indie sticker-shock.

John Serrao, vice chairman of the Association of Independent TV Stations (INTV) and general manger of Atlanta's WATL-TV, is confident of another good year ahead. Nineteen eighty-eight, he says, will be "boom time again, with demand [for stations] catching up with supply."

According to Serrao, except in the depressed markets of the Southwest, indie revenues were never really "down," but were simply affected by the number of new stations that suddenly entered the market. "In Atlanta alone," he says, "we had two very aggressive new indies come on in 1984. Today, both of them, WATL and WGNX, are viable with earnings up between 5 and 6 percent."

Pessimists, many converted by the October market collapse, see things differently. A VHF independent in a major market will always do well, they say, but the vast majority are not making money. INTV spokesman Lawrence Laurent estimates that at least 19 independent stations are now under Chapter 11 bankruptcy protection and that number, projected Laurent, pre-October, may go as high as 23.

"Major-market indies are doing as well or better than ever," Laurent says. "But mid-size and smaller stations still have problems. What's tricky is that some of the stations in Chapter 11, like WQTV in Boston [recently purchased by Monitor Television], had a parent company that was in trouble, while the station itself was doing OK."

Laurent adds that of those 19 filing for protection, three are owned by Milt Grant and eight represent the Chattanooga, Tenn.-based Media Central group. Laurent insists that even shaky stations are getting hefty prices, citing one "very troubled" Washington, D.C. indie now on the block for $16 million to $18 million. "Remember, there's only 1,100 commercial stations in the whole country. That's a limited source."

Despite Laurent's explanation, many third- and fourth-place indies, especially those that have performed marginally, have had to either go off the air or transform themselves into specialized stations, using a home-shopping format or other alternative programming.

These days, INTV is spending most of its energies mounting a pending campaign to reinstate program exclusivity, abolished in 1980. "[FCC chairman] Charles Ferris insisted that independent stations *prove* they couldn't live without it," says Laurent. "Well, the only possible proof of that is bankruptcy, and a clear showing that revenues lost through cable duplication caused it. That's impossible. What [current FCC chairman] Dennis Patrick has noted is that Ferris asked the wrong question. The right one is: How does the free market work best?"

In April, Patrick issued a Notice of Inquiry and a Notice of Proposed Rulemaking, asking in effect why "the great mistake of 1980" (Laurent's words), shouldn't be repealed. "This time," says Laurent, "broadcasters aren't required to prove a negative; instead, the proponents [cable and the superstations] are required to demonstrate that competition has been enhanced."

In July, INTV filed a 139-page plea incorporating highlights of two major pieces of research it had commissioned on programming duplication through imported signals and the amount of money indies have lost because of it. The survey of 34 INTV-member stations found instances of 683 locally owned programs and 181 movie packages duplicated by imported signals. In several markets, the study found, even where cable penetration was low, local stations lost ratings to superstations that carried identical shows.

The issue, however, has become complex, pitting cable systems and superstations (which are themselves independents) against broadcast indies (some of which, in turn, own cable systems). The scope of the conflict was apparent when Lev Pope, president of Tribune Broadcasting's superstation WPIX in New York (and a man who once argued *for* broadcast exclusivity) cast the lone vote on the INTV board against fighting for its restoration.

"Lev changed his tune and gave an impassioned speech before the board," says INTV president Preston Padden. "But syndicated exclusivity is of critical importance to our survival and the vast majority of the board supported our decision to fight." Currently, the FCC is accepting written comments on Patrick's proposed rule change, with a final decision expected in 1988.

Tribune, which also owns superstation WGN in Chicago, is leading the fight against exclusivity, arguing that it would inhibit co-ventures while proving "too expensive and laborious" for cable systems to implement, involving as it does the deletion of locally duplicated programming. Shaun M. Sheehan, vice president of Tribune Broadcasting Co. in Washington, states flatly: "Who's kidding whom? Programmers and syndicators are thriving; cable and independents are launching new shows; superstations aren't siphoning appreciable audiences; viewers have unprecedented choices. The rule is simply not necessary."

But chairman Patrick's views are equally clear. Speaking at a recent American Bar Association symposium, he said: "Cable wants to develop 'punch through' programming to help increase its penetration and revenues. Fine. But it defends a license that denies broadcasters the same exclusivity protection. That doesn't look like fair competition to me; it looks like a market skewed by federal intervention."

Must carry, however, is the issue on which Patrick and indies part company. Patrick supports the five-year sunset provision built into the FCC's new rule. INTV, however, wants stricter must-carry regulations without end. The cable industry is willing to live with the FCC's new rule, provided it does, in fact, sunset in five years.

The new rule, which went into effect in June, is now being challenged by 14 MSOs, including Daniels, United and Century. They object to *any* must-carry provisions, arguing that the concept violates the First Amendment—much the same argument used in *Quincy vs. FCC*, which struck down the original must-carry rule as unconstitutional in 1985.

This August, a brief was filed on behalf of INTV and the National Association of Broadcasters insisting, according to counsel Michael Horne, "that the new must-carry rule addresses past problems and meets the objectives (which led to its creation). Cable companies now have a fairer way of dealing with local-signal carriage, which is why the NCTA and several major cable operators are not seeking a stay."

According to one media-savvy attorney, the broadcasters' regulatory well may have already been poisoned by the brouhaha over the Fairness Doctrine. "The push and tug for and against Fairness hasn't made a lot of people on the Hill happy," says Bill Perry, senior partner of the Washington, D.C., law firm of Dow, Lohnes and Albertson. "I don't know if Congress is going to want to do any favors for broadcasters, even though reintroducing exclusivity probably is consistent with the current marketplace approach."

JEAN BERGANTINI GRILLO

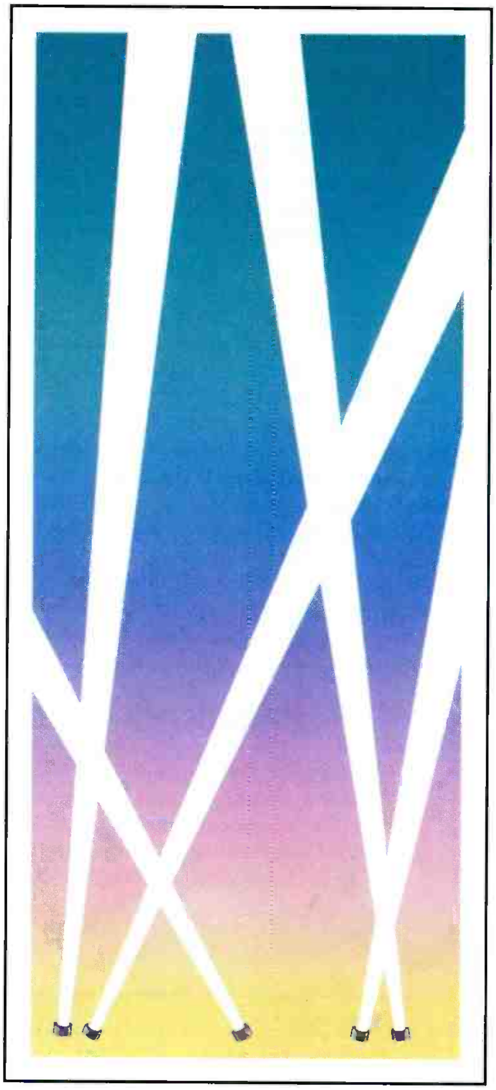
HINDSIGHT: THE SQUEEZE ON INDIES

Independent stations hobbled into the past year after a real battering. Now national figures from the National Association of Broadcasters show how syndicators' rocketing program prices—shown below as fees for broadcast rights—combined with faltering ad revenues to squeeze indies' profits in markets of all sizes. In some instances, syndicators claimed up to half of a station's revenues.

	Per-station averages (IN THOUSANDS)		
	1984	**1985**	**1986**
Stations ADI 1-10			
Broadcast rights	$10,236	$11,121	$13,130
Net revenues	35,662	39,560	34,902
Rights as % of revenues	**28.7%**	**28.1%**	**37.6%**
Cash flow	11,612	11,998	6,665
Stations ADI 21-40			
Broadcast rights	2,247	2,728	3,823
Net revenues	7,613	8,397	8,036
Rights as % of revenues	**29.5%**	**32.5%**	**47.6%**
Cash flow	1,899	1,593	575
Stations ADI 81-210			
Broadcast rights	386	636	604
Net revenues	2,469	2,037	1,887
Rights as % of revenues	**15.6%**	**31.2%**	**32%**
Cash flow	584	285	347

Source: Compiled from data generated by NAB's Television Financial Monitoring Service. Includes only data from stations responding to NAB survey all three years. Net revenues exclude commissions paid to reps and agencies.

FIRST IMAGES



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There's *Cosby* and *Boss*, And Then Everybody Else

Sales of the top-rated off-network sitcoms skyrocketed, but otherwise the year proved to be a long, unpredictable haul

LOOKING FOR LEGS?

Now's the time of year when syndicators and stations try to predict the future: Will next fall prove to be the year of the game show, the sitcom or the magazine strip? *Wheel of Fortune* defies trend analysis, but it and *Jeopardy*'s continued strength bodes well for the 30-odd game shows in development. And perhaps it's time for the off-net sitcom to make a reappearance closer to the top of the list. In 1985, *M*A*S*H* and *Three's Company* were the second and fourth highest rated syndicated shows, respectively, in the country.

Show	Syndicator	First Syndicated	May '84 Rating/ share (rank)	May '85 Rating/ share (rank)	May '86 Rating/ share (rank)	May '87 Rating/ share (rank)	'87 % U.S. Coverage
Wheel of Fortune	King World	'83	**12.3/26** (1)	**16/33** (1)	**17.0/33** (1)	**16.9/34** (1)	99.6%
Jeopardy	King World	'84	—	**8/22** (3)*	**10.3/25** (2)	**11.3/27** (2)	98.1
PM Magazine	Group W	'78	**8.3/17** (5)	**7.5/16** (5)	**7.7/15** (5)	**8.5/17** (4)	31.1
Entertainment Tonight	Paramount	'80	**7.5/17** (7)	**7.4/17** (6)	**7.4/16** (8)	**6.5/15** (9)*	87.8
People's Court	Lorimar	'80	**7.7/21** (6)	**7/20** (7)	**7.2/21** (9)	**7.1/21** (6)	96.7
Divorce Court	8lair	'85	—	—	**4.5/17** (26)	**4.7/16** (20)	85.8
M*A*S*H	20th Cent. Fox	'79	**9.5/25** (3)	**8.7/22** (2)	**8.4/21** (4)	**7.7/19** (5)	91.8
Three's Company	DL Taffner	'82	**9/23** (4)	**8/20** (3)*	**7/18** (12)	**6.5/16** (9)*	87.1
Barney Miller	Columbia	'80	**5.8/17** (13)	**4.7/15** (20)	**4.5/13** (26)	**4.5/13** (23)	56.3
Taxi	Paramount	'78	**6/15** (10)	**5.5/15** (15)	**4.3/12** (34)	**3.9/12** (37)	66.1

Source: All ratings/ranks from A.C. Nielsen Cassandra Rankings of Syndicated Programs. *Tie

What works in syndication? Good question. Following the success of King World's *Wheel of Fortune* and *Jeopardy*, the number one and two syndicated shows in the country, consensus pegged new versions of tried-and-true game shows as stations' next best bets. Yet when the new fall season's first returns came in, Lorimar-Telepictures' much-heralded revival of *Truth or Consequences* failed to live up to anyone's expectations; by early October, Lorimar had announced the show's cancellation.

Group W tried to tap a talk-show revival spurred single-handedly last season by another King World phenomenon, Oprah Winfrey, whose *Oprah Winfrey Show* was the third-ranked show in syndication for much of the past year. Group W, progenitor of such talk-show legends as Mike Douglas and Merv Griffin, spent roughly $20 million developing and testing *The Wil Shriner Show*. Shriner debuted in September on a lineup of 105 stations, and in its first week pulled just a 2.3 rating/9 share in Nielsen's metered markets, below what most stations were used to getting in Shriner's time periods. Group W, which has weathered slow-starting talk shows in the past, said it would stick with the show.

What's the answer? In many cases, simply to try again. As syndicators prepared their new offerings for fall '88, as many as 30 game shows were reportedly in development, as well as at least three major new talk shows and five or six magazine-style information shows, the latter hoping to replace current shows such as *Entertainment Tonight* and *PM Magazine*.

The last year, for many syndicators, has been long, painful and somewhat contradictory. The first half of 1987 proved to be an especially tough stretch for purveyors of nearly every kind of programming. The continued shakeout in independent television, as the number of independent stations filing for Chapter 11 protection neared 20, kept the supply of off-network syndicated programming in most markets far above demand. Many independents, watching their financially strapped brethren renegotiate expensive programming contracts, demanded similar treatment from syndicators. A soft advertising market through much of 1987 meant that even healthy stations thought twice before buying new programming. And competition between syndicators reached new heights in most categories, as record numbers of new shows vied for a limited number of open slots on stations.

Yet for all the difficulties, two shows in particular thundered through the marketplace creating the kind of hysteric price bidding not seen since syndication's boom years in the early '80s: *The Cosby Show*, syndicated by Viacom, and *Who's the Boss?*, handled by Columbia/Embassy. Prices for *Cosby* have surpassed even the syndicator's expectations, according to top executives at Viacom. One year before *Cosby*'s fall '88 debut, Viacom had sold the show to over 137 stations for a total cash price tag estimated at $520 million. In addition, the syndicator is withholding two 30-second spots from each episode. While final revenues will depend on the barter marketplace in '88, '89 and '90 (the length of Viacom's initial contract with stations), reps estimate that Viacom could take in another $145 million from sales of its barter time in the series. (A recent First Boston analysis projected a $600 million gross, $200 million net for Viacom, versus the $250 million gross/$35 million net projected last year.)

Who's the Boss?, which finished the 1986-87 season ranked tenth among all prime time shows, showed signs of continuing *Cosby*'s syndicated success. With 35 markets cleared by late fall, Columbia/Embassy was reported to be approaching the $100 million mark in sales of the show.

Yet beyond those sitcoms, most other off-network shows found a tough marketplace in '87. MCA pulled its *Miami Vice* off

This year's big sale: ***Who's the Boss?***

the market because of lackluster interest from stations; the syndicator is considering a renewed push following a successful test run of the show on its owned station, WWOR, in New York. Sales of film packages, which soared early in the decade as hundreds of new independent TV stations signed on the air and programmed much of their prime time and weekend time slots with movies, have slowed to a trickle for all but the most attractive of titles. MGM/UA this year for the first time introduced a group of eight mini-packages containing five titles each—dubbed Pic Packs—in an attempt to spur interest in films among stations that don't have a great need for more movies. (Movie packages typically contain anywhere from 30 to 50 titles, available for several showings over a number of years.)

The upcoming convention of the National Association of Television Program Executives, to be held in Houston in February, will reflect syndication's difficult times. NATPE executive director Phil Corvo says he expects about 200 syndicators to attend the convention, versus over 250 last year. There are several reasons for the drop-off, he notes. "Foremost is the mergers and buyouts of the past year. Second, money is scarce, and there are some companies who would have attended but are reticent because of the way the market is right now." Marvin Grieve, president of syndication company MG/Perin and also president of the Association of Program Distributors, an organization of mostly smaller syndication companies, says that not only are syndicators being squeezed by soft demand for their shows, but by rising expenses. "The cost of doing business has become totally impossible for a small distributor," Grieve says. "Finding prop-

***M*A*S*H*: Still a hit, year after year.**

erties, producing properties, making pilots, keeping a salesman on the road—it's all enormously expensive today."

All is not despair, however. The falloff in demand among stations has forced syndicators to look more closely at other markets, such as international sales and cable networks. Indeed, cable is increasingly becoming both a home for new episodes of cancelled network series and a holding-slot for off-network shows before they hit stations through syndication.

Cable network USA increased its audience share and received a burst of publicity after acquiring *Riptide* and *Airwolf*, both revived versions of cancelled broadcast-network series. This fall, CBN, which was already running off-network series *Father Murphy* and *Hell Town*, added MTM's *Remington Steele* to its lineup. And Lifetime added *Jack and Mike*, an MGM/UA series that ran briefly on ABC, and *Falcon Crest*, from Lorimar. CBN's director of program development, Harry Young, says competition for off-network product is increasing among cable nets, and prices reflect it. "It's not like a *Cosby* phenomenon, because the economics of basic cable don't change that much from cable network to cable network," he says. "But in general, prices are rising in the basic-cable

Will *Cosby* or *Boss* prove to be as lasting?

***Entertainment Tonight*: Watching its back.**

arena."

Further, while cash sales of film packages and off-network series may have declined, a number of signs point to a boom in barter syndication over the coming years. A survey conducted during the summer of '87 by media-analyst Paul Kagan Associates reported that the cost-per-thousand viewers in advertising time for syndicated barter programming was up 10 percent to 25 percent over 1986. It got an additional boost in the fall from such high-visibility first-run programming as Paramount's *Star Trek: The Next Generation*.

The barter-syndication business will also no doubt benefit from the major restructuring that occurred in the barter business this year, combining several of the industry's largest barter-sales organizations (see "The Advertising Scene," in this issue). Brian Byrne, president of International Advertising Sales, which now handles media sales for Paramount, Coca-Cola and Orbis, notes that the 1986-87 season included 569 barter-syndicated shows, represented by over 125 companies. "When you're dealing in a $9 billion [total TV advertising] market, and there are three companies, the networks, calling on advertisers to spend $8.3 billion, and there are 125 companies calling on them to spend $700 million, you're not going to grow that $700 million very fast," Byrne says. "So consolidation made sense." Byrne estimates the 1987-88 barter-advertising marketplace at $850 million.

It's difficult to remember now, but conventional wisdom termed the TV sitcom dead just before the arrival of *Cosby* on network TV, three years ago. That should serve as a reminder that it only takes one great idea to revitalize a genre (if not an

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***Wheel of Fortune*'s Pat and Vanna: On top.**

industry). Despite the difficulties of the past year, by the time of the NATPE convention in February a number of new companies will be making a go at the marketplace, including the Grant Tinker/Gannett venture, GTG Entertainment, centered around the TV version of *USA Today*, and Casablanca IV, three TV veterans and a real-estate investor who have a slate of syndicated programs including Ohlmeyer Communications’ *Fast Copy*, which has run sporadically on NBC for the last two years, and a comedy strip called *Hit Squad*, which is partially sponsored by Bristol-Myers.

Richard Gold, president of Casablanca IV, argues that his company’s timing is perfect. “Our whole intent was to come in [to syndication] *because* the market was down,” he says. “At NATPE last year, it was almost as if people were going to start jumping out of windows. Syndication was obviously in a down cycle, but we wanted to be there when it came back.” Two months before syndication’s next big annual gathering, Gold says, the business is “well on it’s way. There’s going to be a lot of opportunity—probably more than there has been in the past.”

JOHN FLINN

Spinning the *Wheel*: Facing 30 competitors?

Targeting the Nation In its Own Tongue

Young, loyal, easy to find—America's Hispanics are the prize in a recently escalated battle for dominance in Spanish TV

Ten years ago, most advertising and ratings executives scoffed at the notion of programming U.S. TV and radio stations to appeal exclusively to a Hispanic audience—the advertising base to support such ventures, they said, just didn't exist. The Hispanic market lacked the size and upscale demographics needed to attract national advertisers, or so the line went.

By 1987, as Spanish-language broadcasting began to take off in a big way, even some of its hardiest detractors were climbing on board. The 175 Hispanic radio stations in the continental U.S. are billing $169 million a year, according to the specialty rep firm Caballero. But the real action is in Hispanic TV. Between 1982 and '86, Hispanic TV's ad revenues more than doubled, to $184 million, according to *Hispanic Business* magazine. Two unlikely Anglo investors—Hallmark Cards and financier Saul Steinberg's Reliance Capital Group—bought into the business in 1986 and are building competing Hispanic chains. Both groups have big plans: better programming, additional stations and production facilities, and more reliable audience ratings to woo still-skeptical national advertisers.

Steinberg assembled the Telemundo chain by purchasing John Blair & Co., including Blair's Hispanic stations in Miami and Puerto Rico, adding a Los Angeles station bought in 1985 and then paying about $65 million for New York's WNJU. Hallmark got into the game by surviving an intense bidding war last year for five UHF and five low-power TV stations owned by the Spanish International Communications Corp. As part of the $301.5 million deal, Hallmark agreed to continue buying its programming, at least until 1989, from the Mexican-based Univision network (previously known as SIN, or Spanish International Network).

Crossing the border: Telemundo's *Super Sabados* (top) and a Univision *novela*

Claiming to reach 82 percent of U.S. Hispanics, Univision will be the country's dominant Spanish programmer for the near term. Founded 26 years ago by Mexico's Televisa, Univision gets 90 percent of its coverage from 15 UHF and 13 low-power affiliates, including the Hallmark stations. It reaches the rest of its audience through cable.

By contrast, Telemundo's owned stations and affiliates—six UHF, one VHF and one low-power—will reach just 66 percent of the U.S. Hispanic market, at best, when it adds its Houston station by mid-1988. Still, Telemundo's New York and Puerto Rico stations regularly beat out Hallmark's in the ratings, and its Los Angeles station is not far behind.

Univision national sales director John Pero says its ad sales increased 25 to 30 percent in 1987; Telemundo expects similar or better results in both 1987 and 1988. Indeed, the presence of two Hispanic station groups beating the drum for advertising has expanded the overall market. The surge in Hispanic TV is fueled, also, by its booming audience growth. The 18.8 million-strong Hispanic population in this country is growing five times faster than the rest of the nation, the Census Bureau estimates. Though Hispanics earn a median household income lower than the U.S. average—$22,900 versus $32,800—they remain a prime consumer target. According to Strategy Research Corp., a leading Hispanic market-research firm, Hispanic-Americans tend to be younger than the rest of the population, more loyal to brand names and easier to reach because they are geographically concentrated. (Two-thirds of U.S. Hispanics live in the top 10 markets.) And almost three quarters speak Spanish in their homes.

Henry Silverman, president of the Telemundo network, sees a gold mine in these findings. "Our problem and opportunity is to bridge the gap between Hispanic purchasing power—about 6 percent of the U.S.—and the percentage of TV ad dollars spent reaching Hispanics: about 0.8 percent. If we can get our 'fair share,' that would represent nearly an eightfold increase [in ad sales]."

Achieving that promise won't be easy. Many mainstream ad agencies are either unfamiliar with or suspicious of Hispanic-audience research and ratings. Of the 500 largest TV advertisers, for example, Silverman says only a fifth buy time on Hispanic TV. Moreover, the programming itself has an abiding weakness: Most of it is brought in from Latin America. The reason: A one-hour episode of a Venezuelan *novela* (soap opera) can be acquired for $5,000, while an equivalent U.S. production would cost $350,000. But at least one analyst, Bruce Bishop Cheen of Paul Kagan Associates, questions the real savings, wondering how well such imports match the tastes of younger Hispanics assimilating into the American cultural mainstream.

Telemundo believes it can zero in on U.S. Hispanic preferences with such new programs as *Super Sabados*, a wacky five-hour variety show featuring games, interviews and entertainment, a Spanish *Donahue*-style talk show and a 160-hour *novela* about Hispanic immigrants building their new lives in the U.S. Senior v.p. Carlos Barba says the story will involve "the good man, the bad man, the good girl and the bad girl," and an ingredient required in soaps of any nation, "impossible love."

DAVID BOLLIER

THE AIR

WHO'S NOT AFRAID TO MAKE A DRAMA OUT OF A CRISIS?

THE BRETTS

The Bretts, a thirteen-part series set in Edwardian Britain, has more than its fair share of both drama and crises. An affectionate look at the fame and fortunes

sought by an extraordinary theatrical family of the time. The Bretts beautifully captures the atmosphere of the twenties. The Bretts, sponsored by the Mobil Corporation, is being shown on Masterpiece Theatre by WGBH Boston on the PBS network and is also playing on UK television. A second series is now in production.

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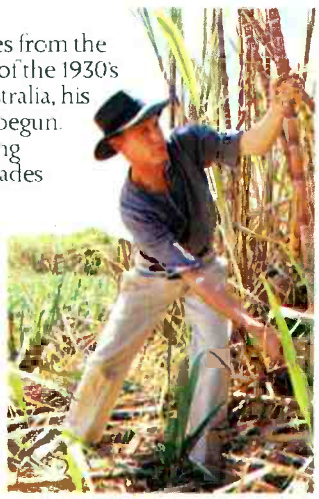
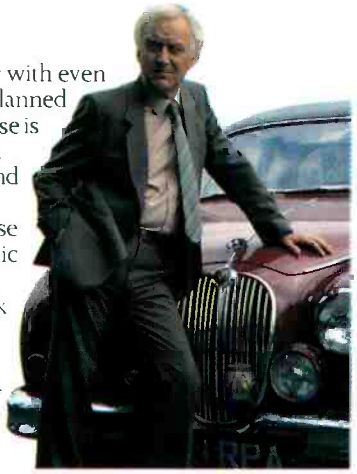


When Bluey escapes from the impoverished England of the 1930's to start a new life in Australia, his troubles have only just begun. Tortuous love affairs, gang rivalries, drinking escapades and the approach of World War II are all lavishly filmed on location in Queensland for this two part spectacular, with Todd Boyce as Bluey, who has to fight his way through them all. A sequel to Fields of Fire will be completed for 1988.

INSPECTOR MORSE



There's no getting away with even the most complex and well-planned crimes when Inspector Morse is on your trail. A crossword aficionado, real-ale expert, and devotee of classical music, John Thaw's Inspector Morse is a most unusual, melancholic character who's intuitive approach to detective work inevitably lands him in trouble and nearly always spots the illogical flaws in a case. Now's your chance to pit your wits against him in three two hour murder mystery films. A second series of four films is presently in production, one of which will be premiered at the London Screenings.

ESCAPE FROM SOBIBOR

For some, there will never be an escape from the memories of this horrific Nazi death camp. They were the lucky ones who escaped in a bloody, awe-inspiring uprising that sent shock waves through the Third Reich.

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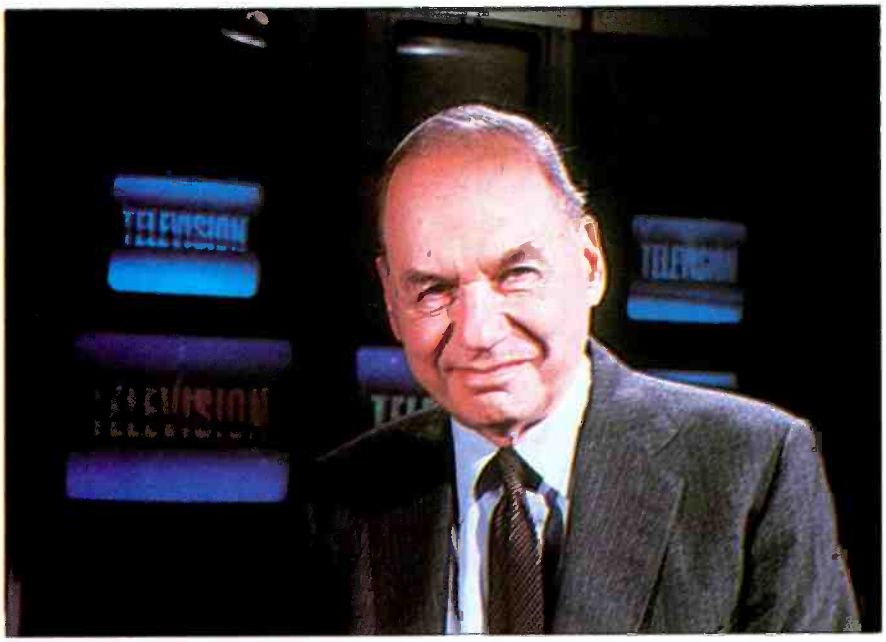
An Institution on Hold Recalls Its Great Hopes

Progress isn't a given anymore, with no real growth in funding and a diffuse sense of identity. Good news: They're begging less



Edwin Newman hosts a PBS documentary on the medium, *Television*, starting in January.

In 1967, the Carnegie Commission on Educational Television released an ambitious plan to transform noncommercial television into "public television"—a "new and fundamental institution in American culture" that would raise "a civilized voice in a civilized community." Twenty years later, public TV executives borrow the rhetoric but their institution seems to be on hold—no longer new, not yet fundamental and still unsettled in its future role.

Public TV remains in many places a marginal enterprise: More than half the 174 licensees have annual budgets of less than $3 million. In the year ending in September 1986 (the most recent statistics available), public TV's income grew only .5 percent in inflation-adjusted dollars, to $905 million. Even the 34 percent jump in federal aid over the past two years—to $214 million—leaves federal support below its 1982 level, after adjusting for inflation.

The audience also remains marginal in size, at least by network standards. Its average prime time rating last season was still just 2.7, though it had risen from 1.6 in the decade since 1977-78, almost exactly doubling the number of households viewing simultaneously. PBS's favorite way of counting viewers is its cume: 58 percent of TV households turned on PBS in the average week last season.

On top of their old problems, some public broadcasters are increasingly concerned that their identity is being blurred and even appropriated by other media. Cable services such as The Arts & Entertainment Network and The Discovery Channel, as well as syndicators, are adopting program genres and series that were once exclusive to public TV—for example, *National Geographic Specials* and the movie-review shows. Public stations have further blurred their field's identity by replaying such "classic" commercial series as *The Avengers*.

Few in the decentralized field would expect that one mortal could lead public TV to a new promised land, but even fewer would expect that of its present top leaders. The new president of the federal funding conduit, the Corporation for Public Broadcasting, is Donald Ledwig, a retired high U.S. Navy acquisitions official who had been CPB's treasurer. PBS president Bruce Christensen is a quiet diplomat. And the presidency of the lobbying arm, the National Association of Public Television Stations, has been effectively vacant for six months leading into expected vital congressional hearings on federal aid and the field's future.

There will at least be a relative calm around CPB's White House-appointed board. After more than three years of struggles for the chair, the board unanimously elected Howard Gutin, the first public broadcaster to be its chairman. Feisty ex-chairman Sonia Landau left the board and conservative journalist Richard Brookhiser decided not to seek renomination. In March the board rejected Brookhiser's controversial suggestion that CPB analyze PBS programming for political bias.

During the year, public TV had an influx of talent from commercial broadcasting. William H. Baker, former president of Group W Television, was hired as president of flagship WNET in New York. Bill Moyers returned to public TV with a $10 million package of public-affairs series that will run through 1988. Roger Mudd left NBC to join the *MacNeil/Lehrer NewsHour* as a commentator. And Linda Ellerbee and New York's WNET said they'll start up a series patterned after ABC's defunct *Our World*.

Other forthcoming series include *Television*, January's sweeping, eight-part history of TV built upon a series by Britain's Granada TV, but with 70 percent U.S.-produced material, and *The American Experience*, next fall's major history series headed by former ABC *Closeup* producer Judy Crichton.

Perhaps the best news for regular PBS viewers is the realization by many stations that they can reduce the length and stridence of their on-air "pledging." At least 42 stations went "pledge-free" during the usual August period and those that didn't trimmed their hours of begging by one fifth. Among stations that provided comparable figures, pledges from the grateful public were *up* 5 percent.

J.J. YORE

THE AIR

Broadcasters Are Waiting With Both Ears Cocked

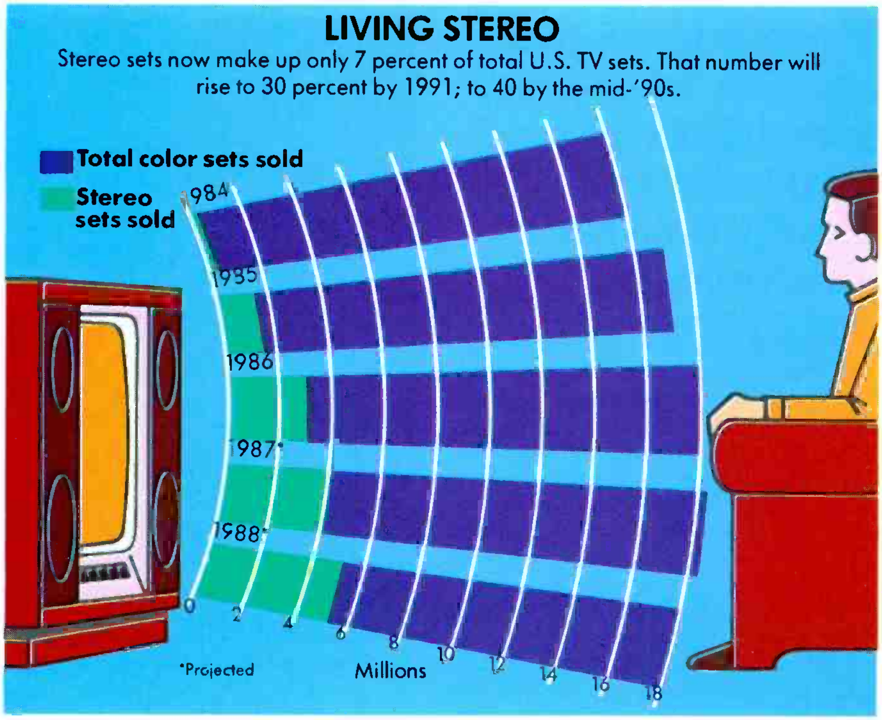
How will the industry know when stereo sets reach critical mass? When *TV Guide* begins noting those shows that air in stereo

Broadcasters are slightly schizophrenic when it comes to stereo, or MTS (Multichannel Television Sound). While some consider it the natural successor to color and have already made a firm commitment to it, others, including two of the four networks, are taking a wait-and-see attitude until the number of television sets reaches an acceptable critical mass.

When will that occur? Stereo sets now make up only 7 percent of the set population, one tenth of which are replaced each year. At that rate, notes market analyst Martin Polon, president of Polon Research International, 30 percent of all sets will be stereo by 1991, and 40 percent by the mid-'90s. Stereo-set sales have experienced steady growth in the last four years (see chart), but not until *TV Guide* and newspapers begin noting shows with stereo sound, Polon says, will there be clear evidence that stereo has truly arrived. (A stereo TV is not absolutely necessary to receive a stereo signal. An adapter or a stereo VCR will work, too.)

Among broadcasters, NBC is the clear leader in programming stereo. Today, 131 of its 207 affiliates, and its five O&O stations, broadcast in stereo (covering 86 percent of the U.S.), and most of its 1987 prime time lineup is in stereo.

At ABC and CBS, on the other hand, skepticism is the byword. Nationally, PBS airs more hours (35-40 per month) than either ABC or CBS. ABC's fall lineup includes only ten stereo programs, and only 40 of 215 affiliates are stereo-capable. CBS has no regular stereo shows, and only 52 of 209 affiliates are stereo-equipped. At Fox, ten prime time shows as well as *The Late Show* are in stereo, but only 20 percent of its 118 affiliates are stereo-capable. Of the nation's 300 indies, only some 30 percent are stereo-capable.



DAVID HERBICK

The biggest hindrance is cost: Polon estimates that NBC and affiliates have spent between $25 million and $50 million to go stereo. It takes an extra $15,000 to produce a stereo network show, which may not sound like much until it's multiplied by an entire season's worth of episodes.

The stereo standard approved by the FCC in 1984, called BTSC (taken from the Electronic Industries Association's Broadcast Television System Committee), called for left and right audio channels, as well as a third Separate Audio Program (SAP) channel. Only a handful of stations are so far utilizing SAP, but those that are have created innovative uses for it. A few stations, such as WTIC in Hartford, have used it to broadcast the unexpurgated audio of R-rated movies, but by far the most common use is the Spanish simulcast of regular programming. KTLA, the Tribune-owned indie in Los Angeles, broadcasts a simultaneous version of its evening news in Spanish, as well as *Love Boat*, *Magnum*, *Knight Rider* and assorted mystery movies.

With almost half of American homes wired for cable, stereo broadcasting would have little impact if cable companies failed to pass it along. But a recent study by Recoton Corp., the leading maker of stereo decoders, found that 80 percent of cable systems do pass along stereo broadcast signals. Doing the same for satellite-delivered cable channels is more complicated, requiring a separate encoding device (cost: $1,500 to $2,000) for each signal. Many systems thus offer only a few channels in stereo—among them HBO, Showtime, MTV, VH-1, ESPN and Arts & Entertainment. Some 10 percent of the nation's 6,500 cable systems encode at least one cable channel, but that number is multiplying rapidly and, says Paul Perez, Recoton director of marketing, could easily double in 1988.

Like broadcasters, cable operators are simply waiting for the marketplace to tell them it's time to spend the money to convert to stereo. At the moment, however, there is little incentive. "Consumers are confused," notes Polon, "and without consumers clamoring for stereo programming, advertisers are not going to pay more to sponsor a stereo show." There's little doubt that stereo television will one day be commonplace, but precisely how long that will take is still an open question.

ADAM SNYDER

Hardware Outlays May Rise In Support of the News

Engineers' shopping lists include SNVs, MERPs and CCD cameras, while news directors hanker for newsroom computers

Thank heavens there's *some* news that rolls around each year on schedule. Come February, at least one SNV is sure to be dispatched for coverage of Groundhog Day.

CHRIS DEMAREST

In the vital local-news battle, stations are escalating an arms race in hardware. Broadcasters have technology fighting for them on two fronts: Newsgathering equipment and graphics devices give a competitive edge in speed and on-air appearance, while automation saves time and personnel for today's cost-conscious owners.

Assuming that station ownership and management settle down in '88 after years of extraordinary upheaval, there may be a small boom in equipment sales, says Douglas I. Sheer, co-director of Sheer and Chaskelson Research Inc., which surveys station equipment purchases annually. The turmoil at many stations put equipment purchases on the back burner and kept spending during the past year at about 1986 levels, Sheer believes. The median station-equipment budget has been about $250,000, according to Sheer's survey; he says a large portion has gone into graphics devices and other hardware that give stations a "sexy" on-air look.

News helicopters were the rage several years back, but now many stations are banking on satellite news vehicles (SNVs). Since the first SNV rolled out in 1984, some 100 have been sold, roughly a fifth of them in 1987 alone. Nearly one in four commercial TV stations was planning to acquire an SNV in the next three years, according to a survey by the National Association of Broadcasters last spring.

These truck-mounted satellite uplinks, which cost an average of $335,000, transmit on Ku-band frequencies, enabling stations to air live reports from anyplace accessible by truck. Major, breaking news and emergency weather conditions lead the list of events covered by SNVs, but the trucks offer viewer appeal even in such prosaic uses as beaming back live newscasts anchored in previously neglected parts of a station's coverage area.

Cameras, on the front lines of the electronic newsgathering (ENG) process, were the focal point of another of the year's significant hardware items: the CCD, or charge-coupled device. The CCD is a solid-state chip that turns light energy into an electrical current, a job that has traditionally been done in television cameras by photoconducting pickup tubes. After several years' refinement, CCDs now deliver tube-quality images in portable cameras. The chips are well suited for portables because they require less battery power than tubes do, withstand rougher handling, capture images in lower light, weigh less and are immune to some bright-light hazards that plague tubes.

CCDs have also given rise to new minature cameras the size of a cigar stub. These cameras have thrilled TV viewers with point-of-view shots taken from the hoods of speeding Formula-1 racing cars, and their tiny size makes them perfect for undercover ENG.

Stations are also continuing to snap up camcorders—portable cameras with broadcast VCRs attached. New Betacam and MII videocassette formats using half-inch tape make the small units possible, and the units in turn make it possible to send out a crew without the technician formerly needed to carry around a separate VCR. Some videographers, however, have cited problems with balancing camcorders, which are longer than most cameras, on shoulders and tripods.

Betacam and MII are fighting for format dominance in ENG. Sony this year introduced an improved Beta SP line to counter the superior specs of Panasonic's MII system. In 1986, NBC committed its network and owned stations to MII. ABC and CBS chose Betacam, which has far more units in the field, according to *Television Digest*'s 1987 equipment survey.

Both Betacam and MII enhance their image quality by using the increasingly significant "component" video technology—they record separately the brightness (luminance) and color (chrominance) information that make up the color picture, rather than mixing them as the traditional "composite" video recording system does. Component video yields a cleaner picture, but adopting the system carries a hidden cost: Most stations have to replace extensive wiring suitable only for carrying composite signals.

Though Betacam and MII offer better picture quality than the 16-year-old, three-quarter-inch U-matic format, few industry observers believe this news workhorse is doomed to extinction. Thousands of U-matic machines and cassettes are in circulation, and last year Sony introduced an improved U-matic SP recorder with this continuity in mind.

Elsewhere in the station tape room, the one-inch open reel Type C format, introduced a decade ago, is holding its own. A tape format intended for studio production, Type C provides arguably the best picture quality of any analog videotape standard. Both the leading Type C recorder manufacturers, Ampex and Sony, have introduced innovations to keep thou-

sands of existing one-inch machines running well into the next decade.

Interest in the oncoming world of digital video was fueled by an exhibit at last spring's NAB convention—a complete digital studio based on the international CCIR 601 standard and made up of equipment already available. Digital signals can be recorded, processed and rerecorded many times without the picture degradation that occurs in using analog systems for heavy editing and special-effects work. Ampex and Sony both have or are preparing digital studio recorders for the market, based on both composite and component formats.

Digital processing is already much a part of today's TV station, in the various graphics devices and electronic paint systems that add visual zest to news graphics, weather maps, sports statistics and station promos. In Denver, McGraw-Hill's KMGH has even used its paint system to create a flashy news set that only exists electronically. Viewers are unaware that the high-tech-looking desks and backdrops surrounding the station's newscasters are merely computer-generated images integrated carefully with live video using the Ultimatte superimposition system.

Computer technology also plays a major role off-screen. As in every other industry today, microprocessors are being incorporated into almost every part of the modern television plant, endowing equipment with built-in "smarts" and freeing humans to concentrate on creativity. Business computers, universal in today's stations, are constantly being made more productive with software for sophisticated sales analysis and data networking between ad reps and stations.

Computers also save money in technical operations by eliminating the human error inherent in manually playing hundreds of programs and commercials a day. In particular, they help reduce make-goods—the free commercial time given advertisers when their spots are played at the wrong time. The most popular form of station automation today is the robotic MERPS (multiple event record and playback system) or "multicassette," such as Sony's Betacart. A MERPS typically houses several VCRs, a tape storage carousel and a robot "hand." It can automatically execute a program schedule for days, locating, playing and storing away videocassettes of shows and spots. (One new model can handle 1,000 cassettes.) CBS and NBC have both recently ordered MERPS for their news operations.

It's in news departments where computer systems are generating the most interest among the people holding the purse strings. Newsroom computers, with word-processing software designed for editing, organizing and producing newscasts, bring improvements in both speed and economy. Desktop terminals can give staffers instant access to all scripts as well as to wire services that feed directly into the system. Producers can shuffle story line-ups right up until airtime, and the scripts can be automatically displayed on camera-mounted prompters. WFAA in Dallas has even outfitted its SNV with a full-featured portable news computer that communicates by phone line or satellite relay with the main system back at the station.

The newsroom computer system for a large station—including 40 terminals and assorted printers and modems—costs an average of $450,000. But it can save money over the years by increasing productivity and cutting back on the expenses of paper, typewriters, wire-service printers and photocopy machines. First introduced seven years ago, newsroom computers are in use by an estimated 10 percent of TV stations. Word has spread about what these systems can do, and it appears they have a big year ahead.

BRIAN MCKERNAN

HIGH-DEFINITION TV

Suddenly, TV's Overhaul Gets Priority Treatment

Broadcast and cable leaders are looking closely at the picture of the future—and even more closely at each others' moves

THE AIR

The drive to bring the magnificent pictures of high-definition TV into American homes has accelerated from zero to 60 in less than a year. As 1987 ended, high-def was making tracks across the TV industry's agenda and into federal policy-making. Two parallel tracks, actually: Shocked into action by coming improvements in VCR picture quality, cable and broadcast leaders are hunting for the right system for transmission, while a handful of producers worldwide are already using high-def equipment for production.

The problem in transmission is to settle on a system that (1) delivers a much-improved picture, probably with double the usual 525 scanning lines, (2) is standardized for both cable and broadcast TV, and (3) is "compatible" in the same way that color TV was compatible with existing black-and-white receivers when it debuted 34 years ago. This time around, the new sets would receive high-def pictures and old sets would still get low-def pictures.

"There's *going* to be an over-the-air system," says Harold Protter, general manager of Gaylord Broadcasting's WVTV in Milwaukee. "The only question is, will there be different systems on cable and over the air? Unfortunately, I think there will." Protter, who's helping raise a broadcasters' war chest for research, expects cable to "get a jump" on broadcasters by going high-def in 1990 or '91, perhaps three years before broadcasters pull it off.

A cable operator can reallocate his channel capacity to carry HDTV, but a broadcaster may have to fit it into a single over-the-air channel, 6 megahertz wide. Two of the major proposed transmission systems ingeniously squeeze an improved, compatible picture into a standard TV channel, but neither the system developed by Richard Iredale of the Del Rey Group nor the Advanced Compatible TV announced by NBC and the David Sarnoff Research Center is even in prototype stage yet.

The other option for broadcasters is to somehow latch on to supplementary channels in the UHF or microwave bands, which would carry the additional visual data. The supplementary signal and the standard one would be combined in a special receiver and beget a high-def picture. Systems proposed by William Glenn of New York Institute of Technology and by Philips Laboratories would use this approach, but Philips's system isn't true HDTV—it would improve the picture on existing 525-line sets instead of requiring new ones.

But empty channels aren't widely available. To protect the option, the National Association of Broadcasters raised an alarm in Washington last winter and delayed an FCC decision that would have given some UHF channels to mobile radio users. In July, the FCC opened an inquiry into advanced TV and said it would appoint a blue-ribbon advisory panel. HBO sounded a call-to-action for the cable industry and began testing consumer reaction. The NAB formed an HDTV research center. By fall, Congress was hearing testimony on HDTV policy.

For now, cable, broadcast and hardware firms are cooperating in lab tests to see which broadcast frequencies are best for HDTV and to compare transmission systems. NAB's Ben Crutchfield says the frequency tests may be finished in '88, but the others could take two years or more.

In the meantime, the Japanese NHK high-def system that started it all—even though it hasn't yet been sanctioned as a world standard—is being used to make commercials, rock videos and even movies. Two high-def studios are operating in this country, both in Manhattan: Barry Rebo's Rebo High-Definition Studio and David Niles's 1125 Productions. In the past year Rebo taped the country's first made-in-high-def commercials (for Reebok shoes), feature film (Robbie Benson's *Do It Up*, opening in '88) and home video release (Vestron's tape of the *Hurricane Irene* rock concert).

Coming in '88 are the Italian film *Julia and Julia* and the Canadian miniseries *Chasing Rainbows*. Like Rebo, their producers taped on high-def equipment for conversion to normal TV, 35mm film or home videocassette. It will be years before the public enjoys them in high-def at home.

STEVE BEHRENS

ZBIG VISIONS

High-def's extraordinary matte-effects capabilities let Zbigniew Rybczynski and 1125 Productions shoot Mick Jagger and cohorts jogging in the studio and combine them seamlessly with exteriors for the "Let's Work" video. The effects are so good and reliably achieved, HDTV proponents insist the system is good for more than tricks.

LOW-POWER TV

Chip Off the Old Town

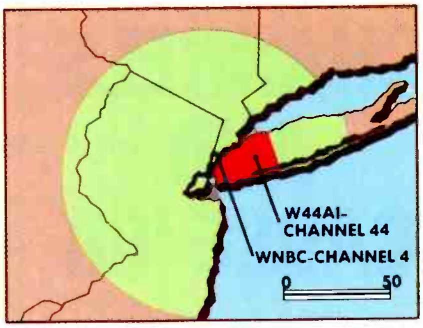
TIM GABOR

Stations are ready to compete in big markets—but on a smaller scale

Low-power television added New York City last spring to its short list of big-city toeholds. The year ahead will test how well LPTV stations fare, standing knee-cap to shoulder alongside more powerful stations. Mini-stations are on the air in Atlanta, St. Louis, Minneapolis, Milwaukee, Columbus and Pittsburgh. In Chicago, low-power operator Charles Woods showers the Loop with music videos from his 10-watt VHF transmitter atop Huron Plaza. Most of the LPTV stations on the air, however—350 in all by the end of '87—are operating in small towns and cities, where the FCC has been quicker to grant licenses.

So far the returns from LPTV are modest at best. "Very few people are actually making money, so everybody is gun-shy about expansion," says Harlan Jacobsen, who runs ads for his video shop on his LPTV station in Sioux Falls, S.D. But in some cases, LPTV is the only local television available. The LPTV station in Bucyrus, Ohio, fills such a gap in service: the region is beyond the reach of full-power broadcast stations in Cleveland, Columbus and Toledo. A station in Woodstock, Va., beams religious programs to unserved parts of the Shenandoah Valley. The typical station pulls free, barter-supplied and inexpensive programming off satellites.

LPTV came to New York (actually, mostly Brooklyn and Queens) on April Fool's Day, 1987, when Dick Bogner and Leonard King switched on Channel 44 in Mineola, Long Island. Bogner, a manufacturer of UHF antennas, concocted a high-gain antenna that, the FCC willing, should extend his signal into Manhattan by early '88. He admits that viewers living on the upper, east-facing floors of tall apartment buildings will have best reception, but he nevertheless can sell time to programmers at $120 an hour. Evenings and weekends are booked with foreign-language, religious, astrology and other shows. So far, annual time sales should exceed costs, $300,000 to $200,000, he says.



A full-power station's coverage area dwarfs that of the Long Island LPTV station.

And more big-city stations are coming. Applications were filed for channels in 16 of the 20 top markets last summer, though the FCC discouraged scattershot multiple filings by imposing a fee of $375 per application. Already approved stations are coming on the air at the rate of 15 a month. And the FCC reopens its filing procedure early in '88.

MICHAEL COUZENS

WIRELESS CABLE

Maneuvering for Growth

The going's been slow, but optimistic pioneers continue to wade in

While others were talking about wireless cable, Cleveland's Jim Theroux went out and built a system. He leased some vacant microwave channels, made deals with program suppliers and hooked up a transmitter. Now Theroux's company, MetroTEN, offers 12 channels including Showtime for $18.95 per month. Microband Corp. of America, the company that virtually invented wireless cable by asking the FCC to start licensing the service, hopes to offer multiple channels in New York, Detroit and Washington, D.C., by the end of '87.

After five years of planning and maneuvering, wireless-cable operators have only 50,000 to 75,000 subscribers nationwide, but are moving into a period of potentially high growth. Since 1985, FCC lotteries have selected some 700 licensees and about 15 pioneers have waded through the red tape and begun service.

Wireless-cable systems transmit multiple channels over the air. Operators assemble a dozen or more low-power microwave channels—applying for new licenses, buying up existing license-holders or leasing time from them. Some channels are licensed for profit-making service (multichannel multipoint distribution service, or MMDS) and others are "excess capacity," leased from schools (instructional television fixed service, or ITFS).

CABLE TAKES TO THE AIR

Seven of the top 30 markets had MMDS wireless cable systems operating or poised to start this fall. Each plans to transmit 12 to 20 channels when fully expanded.

CITY	COMPANY
New York	Microband
Philadelphia	Pennsylvania Pay TV
San Francisco	Premiere Communications
Detroit	Microband
Washington	Microband
Cleveland	MetroTEN
Milwaukee	Warner Cable

Wireless cable can be cost-effective: It broadcasts from a single transmitter instead of laying or stringing cable into every home. Capital costs are roughly $600 per subscriber, compared with $800 to $1,000 per sub for cable systems. But the business has plenty of problems.

The biggest hurdle is obtaining programming. Cable programmers don't like dealing with companies that compete with established MSOs. Theroux had to sue Showtime to gain access to its programming. HBO, CNN and ESPN are also recalcitrant. Raising capital isn't easy either. Investment banks shy away from start-up companies in an industry with no track record. Finally, with just 12 to 20 channels, wireless offers fewer viewing options than most cable systems. Wireless cable has therefore targeted big cities and rural areas where cable has lagged. But where cable is entrenched, wireless may be offering too little, too late.

NOEL GUNTHER

RADIO STATIONS

The Stakes Get Higher; The Marketplace, Tougher

MARIA ROBLEDO/OUTLINE PRESS

How far can a deejay go to be heard in a crowded market? Ask shock jock Howard Stern.

Radio revels in its newfound respect on Wall Street, but locally, stations need new ideas to attract listeners and bigger ad dollars

Ten years ago, nobody wore name tags at radio conventions. The business was controlled by a tightly knit crew of longtime radiomen; few newcomers ventured into the waters. But times have changed in the last several years. And the changes, as with many in media recently, have been spurred largely by Wall Street, as investors realized stations were undervalued.

The surge in buying hit a peak in 1986 with $3.2 billion in trading (up from $1.8 billion in '85). As radio-only companies such as Infinity and Jacor went public and prospered, and privately held companies such as Emmis became successful, investors rushed to close deals before tax laws changed in 1987.

Once that happened, trading in dollar volume dropped to about $2 billion. Besides the new tax laws, sales were slowed by bankers who took a tougher approach to lending, according to James Duncan Jr. of Duncan's American Radio. With stations now fully valued, he says, it could be more difficult to pay back loans.

Still, 1987 was a good year for the business, and the slowdown in trading did not reflect diminished enthusiasm for radio—or a decrease in station prices. Station groups reveled in Wall Street's respect and continued to grow, bringing in record revenues. Most stations sold at ten times estimated cash flow—sometimes reaching 11 multiples for AM-FM combos—according to Susan Harrison, principal of investment firm Harrison, Bond, Pecaro. And, as a Kidder, Peabody & Co. index of seven radio and radio-related companies indicates, radio stocks outperformed the market (up 41 percent compared with the S&P 500's 26 percent rise as of mid-'87).

Several notable deals occurred over the past year. Cook Inlet/Whitcom, a group including members of the Whitney publishing family, paid $177 million for First Media's 11 stations. Infinity set a record with its purchase of Dallas' KVIL AM-FM combo for $82 million (KVIL-AM accounted for about $1 million of the price), and Summit spent $195 million on DKM Broadcasting's 16 stations.

But radio advertising was stagnant in '87. Though $7.3 billion worth of ad time was sold (78 percent local, 18 percent national, 4 percent network), that represented only a slight increase over 1986's $7 billion. Local spending ended the year 7 percent ahead of 1986, but the news on national spending—expected to be flat or negative—is bad. With national barely budging in the last two years, Duncan fears a trend: "Even if it bounces back 5 percent in 1988, that's nothing great in an Olympics year."

Locally, the competition has gotten tougher as station groups look for ways to cut costs and turn a quick profit. Critics claim this has hampered innovation, causing station owners to shift trust once placed in the program director to polished format consultants who know how to conduct market research. For the most part, owners played it safe in '87 with the same old radio formats: adult contemporary, top 40, country, all news, news-talk, album rock, urban contemporary and beautiful music. One new format did emerge, however: New Age, which uses little or no deejay chatter and features light jazz and acoustical recordings. Metropolitan Broadcasting introduced it at its Los Angeles station, KTWV-FM, and saw ratings climb from 1.9 to 2.5. A dozen or so other stations are following KTWV's lead.

Some AM stations tried to hold on to AM's overall declining audience (from 72 percent of the radio audience in 1973 to 26 percent today) and boost the value of their properties by instituting specialized formats like all-sports and all-business news.

But the scramble for marketplace dominance manifested itself most blatantly in 1987 with controversial "shock radio." Shock-jock Howard Stern, who does the morning show on Infinity's WXRK-FM in New York (simulcast on WYSP-FM in Philadelphia), in April found himself at the center of a Federal Communications Commission attack on indecent programming. The FCC issued warnings to Stern and others, but the controversy, which made good press for a while, died down with little result.

After decades as television's forgotten stepsister, radio in 1987 solidified the respect it gained in 1986 and proved itself to investors. In 1988, analysts predict more good fortune industry-wide—but in the marketplace trenches, as Duncan says, stations will "need a little luck, too."

NOEL GUNTHER

A New Age Dawns As the Ad Market Dims

The next generation of radio networks has moved in on the industry, but many are discovering that the going won't be easy

Undeterred by sliding ad sales and unhampered by Federal Communications Commission conflicts, a new generation of radio networks is gradually displacing the old. Westwood One, the 12-year-old company Norman Pattiz started in his Los Angeles home, snapped up NBC's four programming networks in 1987 for $50 million. Transtar landed several hundred new affiliates; Satellite Music Networks had added 93 by summer's end.

But how good is the business? After two and a half years of double-digit growth, the market for radio networks has flattened. Ad revenues for the first eight months of 1987 were running 3 percent behind '86 figures. Observers cite a number of factors in the slowdown: A decrease in automobile advertising; depressed economies in once oil-rich markets; ad-agency mergers and a wave of account switching. Some analysts expect '87 network ad revenue to hit $380 million—flat from '86. Others, counting on a partial fourth-quarter recovery, project $388 million—or 2 percent growth. With a presidential-election year looming, prospects for '88 look slightly brighter.

To better compete for ad dollars, networks and syndicators are offering a range of formats to help local stations zero in on specific audiences. Long-form programming was increasingly popular during '87. So was a new format called "New Age"—a mixture of jazz, rock and synthesized music that debuted in Los Angeles on KTWV-FM.

Radio's own new age may have begun in August when Westwood One bought NBC's radio networks, a move that places the California-based programmer neck-and-neck with industry-leader ABC. In recent years, NBC had yielded ground to competitors. While NBC's 30-second spots sold for $800, Westwood One commanded $900, and ABC, more than $1,000.

Most of NBC's programming networks were already losing money when the company signed an unprofitable $11 million National Football League agreement. The final blow came when NBC, now owned by General Electric, decided to sell its owned stations in Washington, Chicago and San Francisco, further weakening the radio division. The Westwood sale terms permit NBC to purchase a 6 percent stake in Westwood One, however, prompting speculation that either NBC or parent GE could eventually buy out the buyer. Even as he dismisses the scenario, NBC Radio president Randall Bongarten insists NBC remains interested in owning and acquiring stations.

CBS and ABC are still firmly entrenched in network radio. The former, with slightly reduced technical and financial staffs, performed better than the marketplace in '87. Claims Robert Hosking, president of CBS Radio: "We've reached an all-time high in sales and pre-tax profits." Ad revenues for the year will exceed $40 million, according to Oppenheimer & Co. analyst Dennis McAlpine. Some of its fiscal health stems from CBS's retention of all 18 of its owned stations. Unlike ABC and NBC, which underwent outright ownership changes and, because of cross-ownership rules, had to apply to the FCC for temporary waivers to retain certain stations, CBS convinced the Commission that Laurence Tisch's presence at the company was not a change in ownership.

ABC may have to sell its owned stations in New York, Los Angeles, Chicago and San Francisco. But with revenues of about $130 million, ABC could handle divestiture fairly calmly.

How will the competitive stakes stack in the coming months? The race is clearly between Westwood One and ABC. Westwood is coming on strong (1987 revenues will more than double the $60 million earned last year), and it's bound to make changes to secure its place in every corner of network radio—from entertainment programming to news coverage with its Mutual network. Leader ABC, with seven entertainment, news and information networks—and tradition to boot—says it's unworried.

LESLIE JAY

NETWORK LANDSCAPE

Radio programming networks are enjoying a surge in popularity as stations scramble for news, information and entertainment shows that will distinguish them in an increasingly competitive marketplace. (Number of affiliates is noted in parentheses.)

ABC: Contemporary Network (251), young adult; Entertainment (580), adult; Direction (425), adult; FM (141), young adult; Rock Radio (92), young adult; Information (619), news and commentary; Talkradio (124), telephone talk. Also, Paul Harvey commentary; news shows featuring Tom Snyder and Sally Jesse Raphael; and a Special Programming unit.

Associated Press Network: (1,025) Live news, features, interviews.

Caballero: (72) Spanish-language entertainment, news, sports.

CBS: CBS Radio Network (400), adult; RadioRadio (150), young adult; Radio Programs.

Christian Broadcasting Network: (73) Christian music, news, talk shows.

DIR: (varies) Four networks oriented toward teens, young adults, adults, blacks. Music and entertainment, including *King Biscuit Flower Hour*.

MJI: (varies) Short-form quiz shows; long-form music, entertainment. Five formats.

National Black Network: (116) Black-oriented news, feature programming, interviews and talk.

Satellite Music Network: (890) 24-hour programming: music, news, sports, features. Eight formats.

Sheridan: (130) Black-oriented news, sports programming, urban and gospel music, feature presentations.

Transtar: (1,008) 24-hour programming: music, news, sports, features. Six formats.

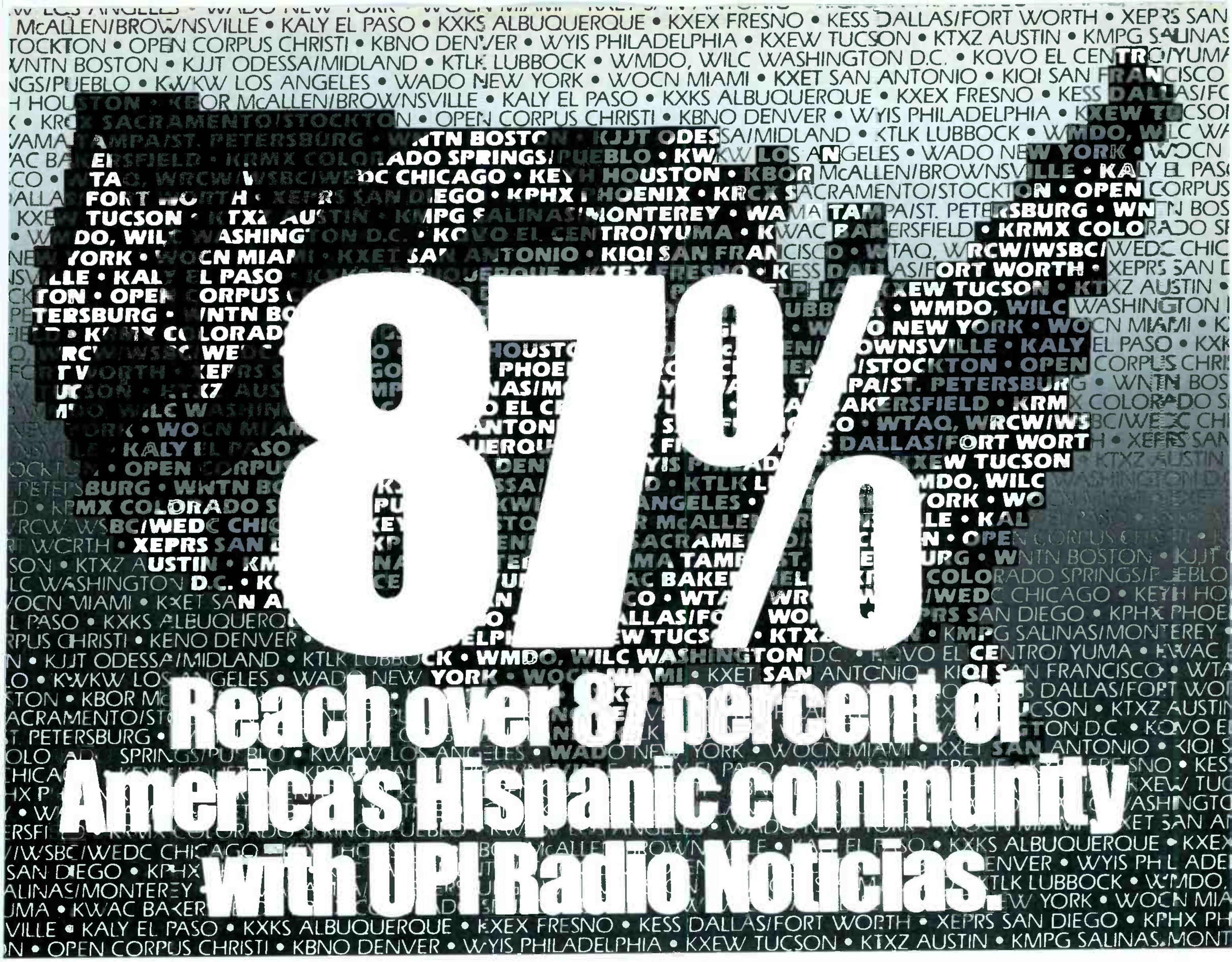
United Stations: US1 (200), young adult; US2 (over 300), adult; United Stations Programming Network (1,800).

Wall Street Journal Radio Network: (85) Economic, financial news. *Dow Jones Report*, financial news with a consumer slant.

Westwood One: (varies) Music, entertainment, features, interviews, comedy, concerts. Various formats.

NBC: NBC Radio Network (370), adult; The Source (122), young adult; Talknet (285), advice; Radio Entertainment, various programs.

Mutual: (over 700) News, sports, entertainment and music; includes the *Larry King Show*.



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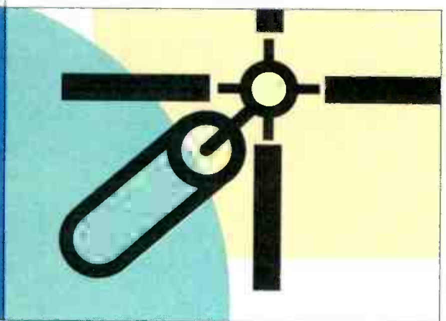
Too Many Transponders Or Not Nearly Enough?

TV transmission is up but satellite traffic overall is down, and while some birds go half empty, others have users waiting in line

Relaying television has been the only bright spot in a satellite industry that's been depressed by launch failures—and even more depressed by the return of much voice and data traffic to land lines, including new fiber-optic cables.

Internationally, Intelsat is carrying nearly twice as much "occasional use" television traffic as it expected—60,000 hours,



or enough to schedule seven TV channels full time year-round. In the U.S., the number of satellite transponders used for TV relay is up 4 percent since November, according to the latest FCC satellite-loading report, but traffic overall is down 6 percent. There's a glut in the sky: Domestic satellites transmitting in the C-band frequencies are using only two thirds of their capacity and the newer Ku-band satellites only half.

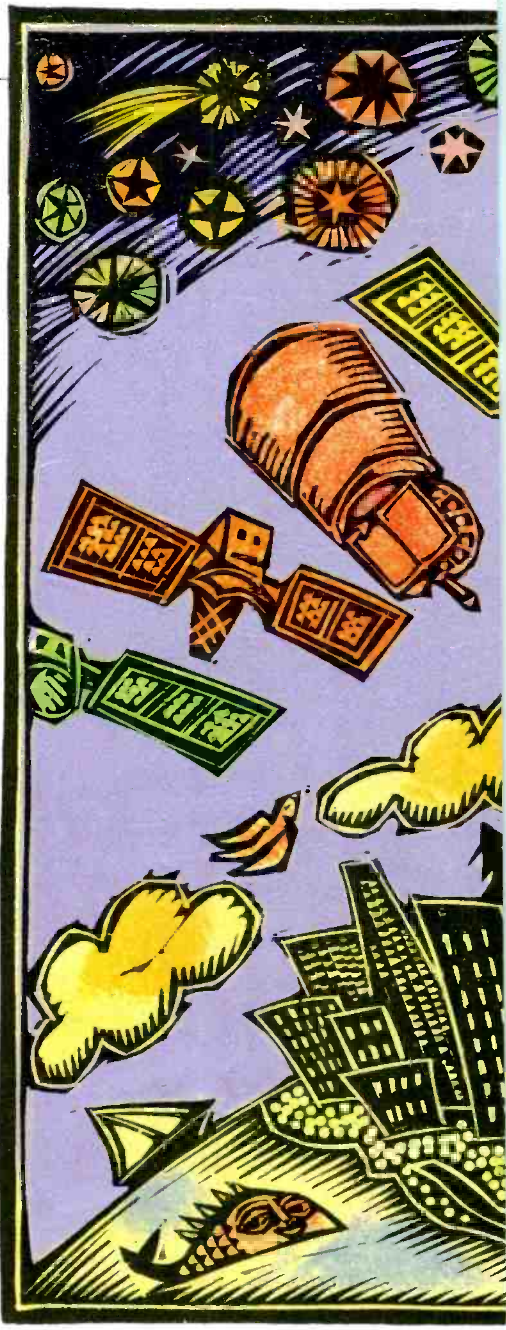
At the same time, broadcast and cable networks are standing in line for time on the most popular satellites—mainly General Electric's Satcom 3 and 4 and Hughes' Galaxy 1—because cable systems and stations already have dishes pointed at them. Other satellites have unused transponders. G.E. Americom (formerly RCA) and HBO are well below their target in attracting programmers to Satcom K3, despite having offered free Ku-band dishes to thousands of cable systems.

Though there's plenty of capacity aloft, many of the older satellites are nearing the ends of their useful lives, which could threaten a shortage of C-band capacity in the early 1990s. So it was with great relief that Arianespace, the French space company, managed to get the third stage of its rocket to work for the first time in September, after several launch failures. The agency resumed launches with the Australian Aussat and European Eutelsat F4 satellites, and was scheduled to launch the first European direct-broadcast satellite, the German TVSat-1, in November. Launch of the new Eutelsat F4 opened up capacity on the Eutelsat F2 for up to nine cable TV networks serving Europe. One may be the BBC, which recently signed with Eutelsat.

Twenty-five years after the launch of Telstar I, the first communications satellite, the technological tables are turning. While satellite transmission is still a remarkably inexpensive way to distribute TV for networks reaching dozens or hundreds of broadcast stations or cable systems, the incredible capacity of fiber optics has helped bring point-to-point communications such as telephone calls back down to earth. The regional phone companies' research arm, Bellcore, is even proposing its DS3 standard for transmission of TV networks by land lines. The digital network would travel over terrestrial lines including fiber-optic cables. Bellcore says land lines are more secure, more reliable and cheaper than satellites for the network relays.

The loss of voice and digital traffic to fiber-optic transmission is making more satellite capacity available for TV. After US Sprint, a major long-distance phone carrier, moved virtually all its voice traffic off one of GTE Spacenet's satellites, GTE went looking for cable networks or educational TV feeds to replace the traffic.

Carriers are looking for growth in satellite newsgathering (SNG), corporate videoconferencing, political campaigning and relaying of special events such as rock concerts and sports. SNG is so new that in March the average station-operated SNG vehicle was about a year and a half old. The newest development is a flyaway earth station—especially developed for remote SNG—which can be taken apart and folded, dish and all, into two or more pieces



DAVID FRAMPTON

of luggage. Only a few have been sold to networks so far, but the market is crowded with manufacturers confident enough to go into production.

Last August, SNG users won relief from a little-enforced FCC rule that required them to file a notice every time they wanted to use their SNG equipment. The requirement had been included in the new SNG licenses the FCC began issuing a year ago. Now users need only file an all-purpose application for their main operating area and notify the FCC as soon as possible if they operate outside that area. The FCC still could impose interference standards that would require testing every time the SNG vehicle is set up, but broadcasters have objected, and so far remain free of that obligation.

Another bright area for the satellite carriers is corporate videoconferencing. "Business TV is certainly one of the fast-

Television's major domestic satellites, from west to east on the orbital arc: **G.E. Satcom 1**, one of the two main satellites used by broadcast TV and radio, devotes 11 transponders to TV. **Hughes Galaxy 1**, world's busiest TV satellite, number one among cable networks, 99.9 percent occupied. **G.E. Satcom 3**, fully used satellite with 23 of its 24 transponders devoted to TV, mostly cable programming. **GTE Spacenet 1**, a major carrier of occasional-use TV, including religious and hospital programs. **GTE GStar 1 and 2**, Ku-band birds partly used for SNG and other occasional-use TV. **Western Union Westar 4**, a veteran of five years in orbit, devotes 11 transponders to broadcast, including CNN, PBS, NPR. **AT&T Telstar 301**, one of the birds most used by broadcasters, including ABC, CBS and Fox, with 11 transponders used for TV. **Hughes Galaxy 3**, became a major cable bird when Viacom signed long-term leases for 10 transponders. **G.E. Satcom 4**, a major cable satellite devoting 19 of its 24 transponders to cable networks. **G.E. Satcom K2**, the most active TV satellite operating in the Ku-band frequencies, now the carrier for the NBC television network and 11 transponders full of SNG.

est-growing applications of satellites," says Susan Irwin, president of Irwin Communications, a consulting firm that helps corporations set up their own internal video networks. "The growth is not so much in the number of networks, but in the number of sites and hours." In 1982, there were just three business networks, with about 100 receivers. That's grown to 40 networks, feeding 5,000 receivers an estimated total of 10,000 hours of satellite time. By 1992, according to one informed estimate, there will be 300 networks and 50,000 to 100,000 receivers.

The next step in satellite outreach, high-power direct-broadcast satellites (DBS) beaming programs directly to consumers' home dishes, hasn't caught on in the U.S. That's partly because there's already so much choice in broadcast and cable channels, and partly because the high-powered satellites carry fewer transponders than most and therefore are competitively handicapped. Two DBS satellites built at great cost for the Communications Satellite Corporation's discontinued DBS project of the early '80s remain in a warehouse on earth. But now, General Motors' Hughes Communications subsidiary is talking to potential partners about parking two 16-channel DBS satellites side by side in orbit, which would let viewers choose among 32 channels without re-aiming their dishes. DBS is further along abroad. Japan's DBS satellite went operational last July, and both West Germany and France are expected to have DBS birds in orbit by early next year.

R. MICHAEL FEAZEL

The Dish Crowd Fights for a Pipeline in the Sky

The backyard-dish industry recovers from the blow dealt by scrambling, but now faces a new set of struggles for its future

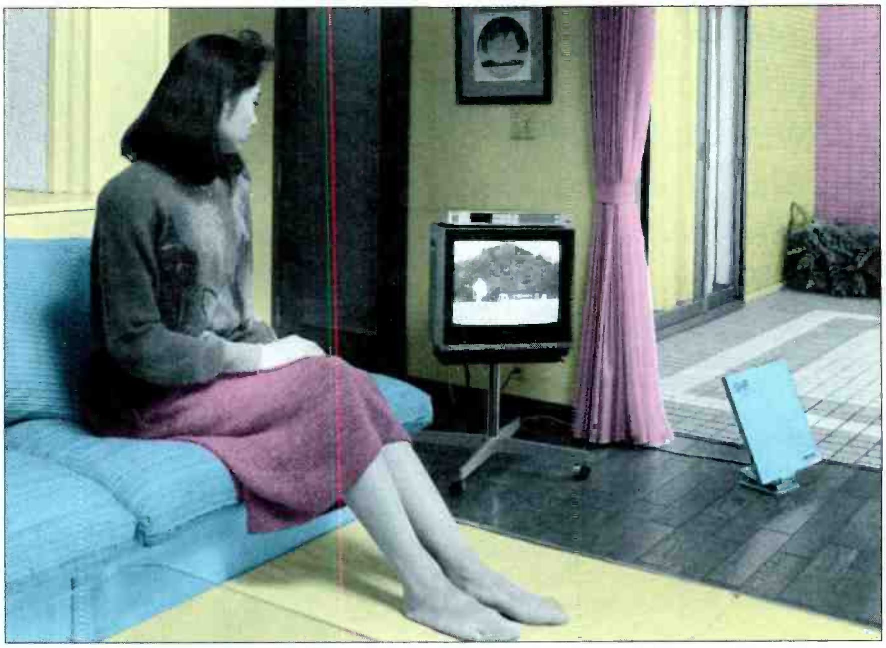
In the early 1980s, backyard dishes provided free programming to thousands of viewers who didn't have access to off-air or cable TV. When cable networks scrambled their signals in '86, making programs available only to viewers who paid for descramblers ($400 each) and subscriptions, dish sales fell to one-third their 1985 level, and hundreds of dealers closed shop.

Now, except for those using black-market devices to circumvent it, most of the 1.7 million dish owners are resigned to scrambling. And, as the VideoCipher II descrambler shortage was eased this fall, access to programming began to fade as an issue for dish owners.

What has appeared is mounting concern about the methods of program distribution to dish owners. That concern has taken a political skew in light of the coming election year. The cable industry is fidgety about dark-horse presidential candidate Sen. Albert Gore (D-Tenn.), for instance. His Satellite Television Fair Marketing Act, introduced in 1987, has more support than any other backyard-dish bill. Backed now by the Motion Picture Association of America and by Senate Commerce Committee chairman Ernest Hollings (D-S.C.), the viewing-rights bill mandates that qualified third-party packagers be allowed to distribute programming to dish owners, just as cable operators distribute it to their subscribers.

Cable operators, who want to control access to cable networks, oppose the bill. Says the National Cable Television Association's Lynn McReynolds, "We object to the government mandating who programmers distribute to."

The few entrepreneurs who are packaging programming for dish owners have been joined by big outfits like Showtime/The Movie Channel, which in March began using a toll-free number that dish owners can call—16 hours a day, seven days a week—to sign up for service. The fee for 12 basic services, including CNN, ESPN, Lifetime and Nickelodeon, plus Showtime or TMC, is $17.95. Once the computer authorizes a new subscriber's descrambler number, it takes just five seconds for the consumer to begin receiving the programming.



Flat-plate antennas (above, bottom right) are less obtrusive and cheaper than dishes.

Another bill, introduced in June by Reps. Robert Kastenmeier (D-Wis.) and Mike Synar (D-Okla.), would amend the Copyright Act to allow common carriers to sell superstation signals to dish owners. It would sanction companies like Satellite Broadcast Networks (SBN) to uplink network-affiliate stations and sell subscriptions to dish owners. With all three broadcast networks either scrambled or ready to scramble, many rural dish owners will have no other way to watch the networks.

The networks are adamantly against those who retransmit their stations' signals; they filed suit against SBN for doing so. Yet Kazie Metzger, president of SBN, says existing law "qualifies SBN as a wireless cable system" with the right to distribute signals to subscribers. Superstations rely on a similar interpretation of the law and both WWOR and WTBS have briefs backing SBN. "The outcome of this lawsuit will determine the outcome of all existing superstations," says Metzger.

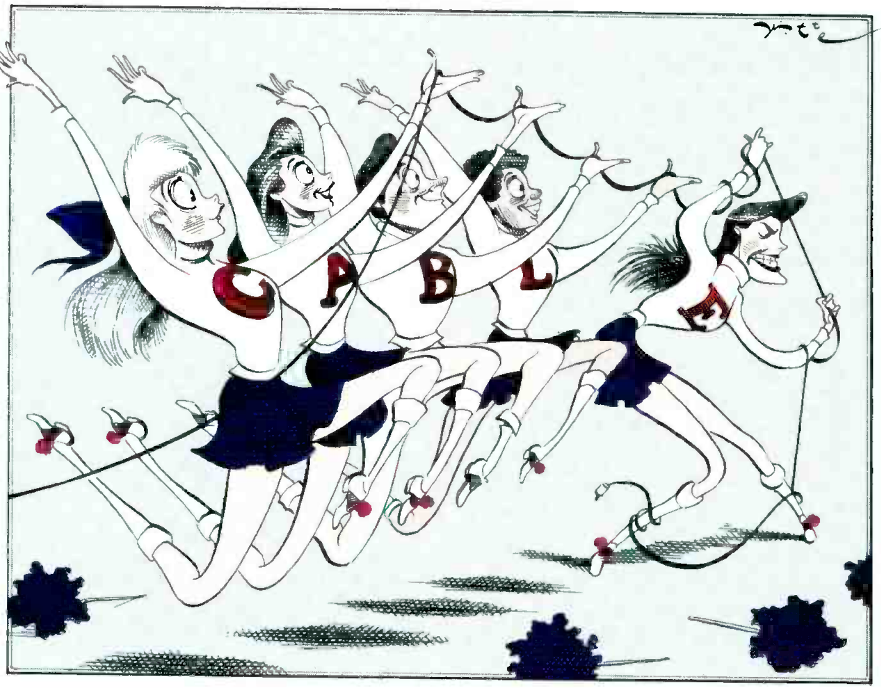
Crucial to the dish industry's degree of success is the direction of technology. If and when high-power Ku-band satellites are launched in this country, the greater signal strength will allow for smaller, less obtrusive and eventually cheaper dishes. In fact, one new variety of antenna can no longer fairly be called a "dish" at all. In mid-1988, Comsat and Matsushita jointly will launch a flat plate antenna that measures only 15 inches square and can be installed on an outside wall. Less than an inch thick, the flat plate functions like a parabolic dish, but instead of gathering the signal for amplification it uses a "phased array" system that receives signals over the entire surface of what is basically a large printed circuit.

Years from now, these flat antennas may have overcome the esthetic and cost disadvantage of today's backyard dishes, and high-power Ku-band satellites will be feeding them programs. They may even compete directly with cable in suburban and urban areas. "It will become a programming battle," says Stephen Day, vice president of Comsat International Systems. That battle has already begun.

CHERYL GERBER

A Rosy Future, but Proceed with Caution

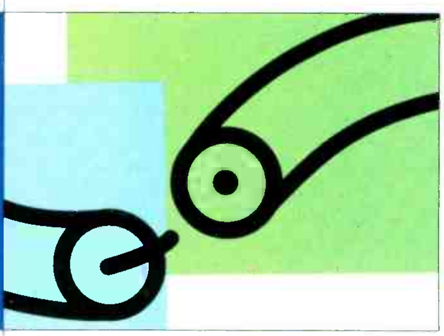
Deregulation proved a double-edged sword as cable this year enjoyed the benefits—and the pitfalls—of life with few restraints



MICHAEL WITTE

It's been a bittersweet year for cable operators. In 1987 the industry's new era of deregulation dawned, bringing growth and financial promise beyond the expectations of even its heartiest cheerleaders. There was plenty to celebrate: system prices topped $2,000 per subscriber; penetration reached 50 percent of TV homes; customers for the most part accepted basic rate increases that averaged 21 percent and cable made a mark in programming with ESPN's NFL coup and the growing clout of services such as CNN and C-SPAN.

But deregulation proved a double-edged sword. For with success came resentment from competitors—and the realization among ambitious entrepreneurs that they might ride the industry's wave of good fortune by challenging de facto exclusive franchises and building systems of their



own, a practice known as overbuilding.

The buzzword for the industry in 1987 was competition, and the "largest single issue" cable faced, according to Storer Communications president Ken Bagwell, was determining how to "conduct itself publicly and with subscribers through the final steps of the deregulatory process." Translation: How high—and how quickly—can sub rates rise without alienating customers, invoking the wrath of broadcasters and moviemakers and drawing the attention of Congress, already being lobbied to re-regulate cable? As James Cownie, president of Heritage Communications and of the National Cable Television Association (NCTA), summed it up, "Although the future looks rosy for the cable industry, the competitive nature of TV tells us the easy part is over."

Considering how long cable struggled for 1984's Cable Act, Cownie's words have an ominous ring. The cable industry in 1987 invested considerable energy and money in convincing subscribers and legislators that it is merely a good guy running a good business—with no devious designs on America's TV audience.

Reports surrounding cable's alleged marketplace abuses are well known: Broadcasters and filmmakers believe cable got too many breaks with the Cable Act. They say the industry is an unregulated monopoly, and through myriad speeches made such terms as "anti-competitive," "gatekeeper" and "Darth Vader" synonymous with cable. Cable denies the charges and, at least earlier in the year, counterattacked. But in the latter part of '87, cable adopted a conciliatory tone toward its competition with talk of "coexistence," and by extending an olive branch when the NCTA backed off a petition for a stay of the Federal Communications Commission's reinstitution of must-carry regulation. It also started to address marketplace weaknesses, such as traditional lackluster customer service that could turn public opinion and city councils against it. Says NCTA spokesman Jim Boyle: "The association is trying to get across that arrogance doesn't work."

But it's hard not to be carried away by success. In 1987, cable-industry revenues hit $11.4 billion, and system sales were transacted at 12 times estimated 1988 cash flow. Buying activity rose sharply and consolidation reached a crescendo, spurred on by low interest rates. A Donaldson, Lufkin & Jenrette report says ad-supported cable networks may earn almost as much in '87 as the three broadcast networks did last year—$250 million compared with broadcast's $270 million in '86. Cable's audience hit a high as well, with viewing up 22 percent in the first quarter of the year. Ad revenues hit $1.14 billion.

Though some subscribers disconnected after rate increases, overall subscriptions were up by more than three million. In United Cable systems, basic subscribers grew by 30,000 after the company, typical of many multiple-system operators (MSOs) that hiked prices, teamed rate increases with extensive marketing efforts that introduced new networks and improved customer services.

At the same time, many cable stocks sold at a discount while outperforming the S&P 500 for most of '87. But like the rest of the market in October, the value of cable stocks plunged an average 30 percent. Some worried that disconnects could rise if the country enters a recession. But MSOs showed confidence by announcing share repurchases and many expect underlying business trends such as rate increases and programming investments to remain unchanged.

MSOs' equity interests in cable networks, most notably the $565 million bailout of Turner Broadcasting by 29 of them, left no doubt that they see a place on both sides of the cable equation: program producer *and* distributor. Operators now have financial interest in more than 20 services.

But it is this view of the future that most outrages cable's competitors, and has led to calls for restraints on the industry. At the heart of the controversy are issues of must-carry, scrambling, syndicated exclusivity (syndex) and compulsory licensing.

Many believe syndex will be restored. Jurisdiction is under the FCC, and new chairman Dennis Patrick has made clear his support for the regulation, which mandates that local stations paying for exclusive programming not be undercut by cable systems carrying the same show on a distant signal.

Compulsory licensing is more complicated. The legislation, enacted by Congress, allows systems to carry local and distant-signal programming without negotiating copyright fees for each show. Last year cable paid $60 million to the Copyright Royalty Tribunal—a steal, says cable's broadcast competition, which would like to see cable negotiate separate rights for each program. But a change in the compulsory license will take an act of Congress, and given its '88 election-year agenda it is unlikely to be addressed.

Last fall, Rep. Edward Markey (D-Mass.) held hearings of the House telecommunications subcommittee to explore whether cable is abusing its power. Complaints have ranged from cable systems' denying carriage to independent and public TV stations, to trying to dominate the direct-broadcasting satellite business. Cable's poor record for customer service has long been used by competitors to alert legislators about what to expect in the future."

But operators, for the most part, showed restraint in enacting rate increases in '87 and actually embellished service while they were at it, leading to the ease with which hikes were received. Though operators in a random sampling expressed concern about the hearings, none—at least for the record—agreed that competitors' gripes could result in cable's re-regulation.

The financial community seems unconcerned as well, at least at present. Says Drexel Burnham Lambert analyst Jeffrey Russell: "As long as the industry keeps good stuff on the air and its subscribers happy, it shouldn't have a problem."

The more immediate concern among operators is overbuilding. While the industry is being recognized as an attractive money-maker and an appealing investment, system values ($2,000-plus per sub) have risen so dramatically that most but those with the deepest pockets are precluded from buying in. For those who can't afford it, building—at $800 per sub—is cheaper. Though hardly a trend at this point, there is growing activity.

The year 1988 may bring some hitches, but for the most part, cable operators will sail along and get stronger. Strategies like Daniels & Associates' "Big Basic" (which includes extras such as FM stereo, VCR and second-set hookups) and its plans to provide services to personal computer owners will, as Daniels executive vice president Jerry Maglio says, solidify cable's position as "the electronic pathway to the home."

CECILIA CAPUZZI

TOP TEN CABLE OPERATORS

None of the nation's ten largest multiple system operators (MSOs) are top grossers in revenue per subscriber. With systems primarily in rural markets, the largest MSOs have fewer of the pay subscriptions that have driven cable finances. As rates for basic rise, some of the largest MSOs stand to improve revenues, though MSOs like Cablevision—with franchises in low-penetrated but affluent areas—will hold spots as high earners as cable also puts on a push to increase penetration levels overall.

Company	Rev/Sub	# Subs in thousands	Rank by sub count
Ranked by Revenue Per Subscriber*			
1. Cablevision Systems	$39.93	697	16
2. Prime Cable	$29.00	325	29
3. MacLean Hunter	$26.61	248	35
4. Telecable	$26.59	510	20
5. American Cablesystems	$26.31	442	23
6. Colony Communications	$25.95	259	34
7. Daniels & Assoc.	$25.91	528	19
8. Hauser Communications	$25.76	168	41
9. Sutton Capital	$25.65	141	50
10. New England Cablevision	$25.41	43	96
Ranked by Number of Subscribers			**Rank by rev/sub**
1. Tele-Communications	$20.03	4,450	55
2. ATC	$23.69	3,500	22
3. Continental	$23.03	1,440	32
4. Storer	$22.38	1,390	36
5. Cox	$24.43	1,370	16
6. Warner Cable	$22.99	1,320	33
7. Comcast	$23.32	1,240	27
8. United	$20.19	1,090	54
9. Newhouse	$23.24	1,010	29
10. Heritage	$23.20	1,000	30

*as of Dec. 31, 1986 Source: Paul Kagan Assoc.

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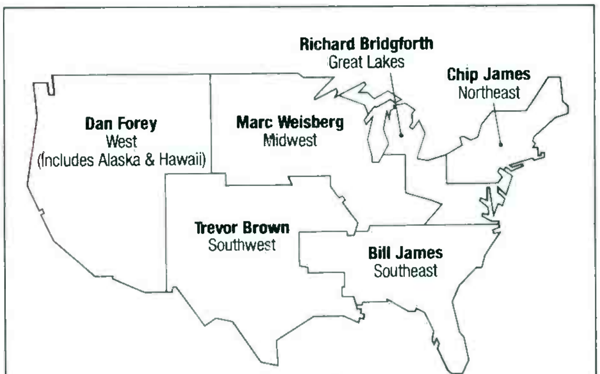

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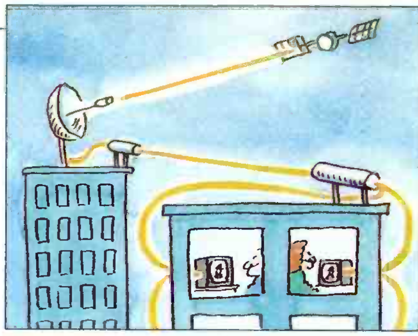
SMATV Keeps Its Niche



Extending SMATV's reach: New lasers beam programming to nearby buildings.

CHRIS DEMAREST

Despite highs and lows in court, subs are up; MSOs are moving in

Over the last few years, the satellite master antenna television (SMATV) industry and cable operators have been in court, fighting over issues such as antitrust measures and overbuild rights to each other's service areas. Some are wins, some losses for the SMATV operators, who provide apartment and multi-unit buildings, hotels and motels with satellite-delivered television signals. Says Mark Tauber, a lawyer for the industry trade group, National Satellite Cable Association, the jury is out on most cases and thus on the long-term health of the business as well. But Tauber sees more victories ahead than defeats. The focus now for most SMATV operators is not "What programming can we get?" but rather, "How much can we get and at what price?" SMATV's missing services are USA Network, HBO and the Disney Channel, and Tauber believes they will relent soon.

Bob Vogelsang of the National Satellite Programming Cooperative Network sees a truce developing between SMATV and cable, through mergers and peaceful coexistence. Prodded by the need for access to cable's scrambled signals, SMATV systems are selling out to or merging with cable operators. Both sides benefit: The cable operators disarm their competition, and the SMATV operators are backed by the power of the MSOs. ATC and TCI both own SMATV operations.

The National Cable Television Association, once SMATV's mortal enemy, no longer regards it as much of an issue. NCTA spokesperson Lynn McReynolds says it is not actively involved in any fights against SMATV. Conceding that SMATV is indeed still competition, she says, "May the best technology win."

It looks as if the SMATV industry, which has grown to about 850,000 subscribers and 2,100 systems, according to Paul Kagan Associates, is here to stay. And it may be helped along by laser technology. Cities, which tend to favor franchised cable operators, usually refuse to let unfranchised SMATV operators cross public streets with their cables. But some SMATV systems now extend service to nearby buildings on a beam of invisible infrared light. Recent lasers transmit up to 40 channels as far as half a mile, says Neil Hays, national sales manager of the laser manufacturer Telescript Industries. But SMATV could be hurt by laser technology, too. Hays says franchised cable systems also can use lasers to shoot their signals to scattered apartment houses—and wire the buildings before SMATV operators move in.

MICHAEL BURGI

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A New High Profile for Cable's Basic Strengths

Record viewership, newly forged program alliances and ad revenues over $1 billion give basic cable a surge of strength

The year 1987 will be remembered as the one in which ESPN brought NFL football to cable, and with it ratings, subscribers, advertisers and prestige. History will also note that ESPN, which outbid HBO and a 26-operator consortium, couldn't have done it without financial help from its affiliates—the first time such a program-investment partnership had been lifted from pay-per-view to basic cable.

"The way to make the cover of *Time* magazine and get double-digit ratings is simply through money," ESPN president William Grimes told an industry gathering last summer. ESPN will spend a record $153 million for three years of rights to eight Sunday games, four preseason games and the Pro Bowl. (The schedule was unaffected by this year's otherwise disruptive NFL players' strike, which began after the preseason games and ended in time for ESPN's first regular-season match.)

"We expected resistance," Grimes acknowledged. "For 13 games, we were asking a 16 percent increase" in affiliation fees. But 98 percent of the network's affiliates agreed to add at least 9.25 cents per subscriber for the package.

While the network pays for marketing, promotion and production, operators get 40 percent of the ad availabilities. When the first preseason game ran on August 16, 1987, it won an 8.9 rating, a record for a basic-cable sports event, and well above the 5 that ESPN had predicted. (The third preseason game broke the record anew, with a 10.2 rating.) What's more, operators expect the games to prompt a 2 percent increase in subscriptions.

The ESPN-NFL deal was the highlight in a banner year for basic cable. National penetration is approaching 50 percent, with 44 million homes served, compared with 40 million at year-end 1986, according to the Cabletelevision Advertising Bureau (CAB). NBC president Robert Wright has remarked that the networks have become "super cable services," delivered more often by cable than by the airwaves.

***Remington Steele*, now on CBN: off-network show, on-target ratings.**

Basic-cable networks became the fastest-growing segment of the television industry while draining viewers from broadcast outlets. Overall, basic chalked up a prime time ratings rise of 23 percent for the first half of 1987, says CAB, compared with 6 percent increases each for pay-cable and independent stations, and 1 percent for superstations. Over the same period, broadcast-network affiliates suffered a 4 percent drop, translating to a loss of 782,000 viewers in the average quarter-hour.

Of the established, onetime wobbly cable networks, Lifetime, Arts & Entertainment and The Nashville Network joined at least ten others in the black, while VH-1, Nick at Nite and The Discovery Channel stood on the brink of profitability. Among the new networks born in 1987, Movietime and The Preview Network each claimed to have more than two million subscribers lined up across the country by launch date.

Some of the good news was a by-product of federal deregulation. Since January, most of the nation's cable operators have taken advantage of the new rate-setting freedom and raised basic subscriber fees an average of 20 percent while frequently dropping pay-channel rates to compensate. Must-carry rules, as currently but perhaps not permanently constituted, allow operators to move channels virtually at will. Many have used the liberty to reassign broadcast stations to more out-of-the-way spots on the dial. The lower-numbered channels, according to studies done by broadcasters outraged at their eviction, can bring considerable increases in viewing to the cable networks now positioned there.

Sustaining as the environment had been to basic cable's health in 1987, the year's most advantageous turn of events was the stepped-up financial backing operators offered programmers. Last summer, Tele-Communications Inc., the nation's largest multiple system operator, led a group that included several other MSOs to invest $565 million for a 36 percent share of Turner Broadcasting System. The purchase came as TBS was staggering under its acquisition of MGM. Fearful that the owner of two of the top three cable networks, TBS's CNN and WTBS, could wind up being a less-than-empathic broadcaster, the operators staged the most dramatic example yet of their commitment to backing signature cable programming.

While operators were becoming co-investors with their networks, they were at the same time being asked by them to accept higher affiliation fees. They paid the

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THE WIRE

BASIC CABLE NETWORKS

Network Homes Reached	**Owner** Headquarters, Launch Date	**Content** Access Status
ESPN 43 million	**Capitol Cities/ABC,** Bristol, Conn., Sept. 1979	College and NFL football, hockey, soccer, other sports (scrambled)
CNN 40 million	**Turner Broadcasting System** Atlanta, Ga., June 1980	24-hour in-depth news (scrambled)
USA Network 39 million	**Paramount Pictures, MCA Inc.** New York, N.Y., April 1980	Broad-based entertainment, sports (scrambled)
CBN Cable Network 36.8 million	**Christian Broadcasting Network** Virginia Beach, Va., April 1977	Family entertainment, classic comedies, westerns, children's shows, documentaries, religious shows (scrambled)
MTV 35.8 million	**MTV Networks (Viacom Int. Inc.)** New York, N.Y., Aug. 1981	24-hour music videos, with concerts and interviews
The Nashville Network 35 million	**Oprylond USA (Gaylord Broadcasting)** Nashville, Tenn., March 1983	Country music, talk shows, sports, live variety and entertainment news
Nickelodeon 34.2 million	**MTV Networks (Viacom Int. Inc.)** New York, N.Y., April 1979	Children's programming (scrambled)
Lifetime 33 million	**Hearst, Cap Cities/ABC, Viacom** New York, N.Y., Feb. 1984	Programs of special interest to women
C-SPAN 31.5 million	(Non-profit corp. supported by cable co.'s and others) Washington, D.C., March 1979	Live coverage of U.S. House of Representatives, public-affairs programs, congressional hearings
The Weather Channel 28 million	**Landmark Communications Inc.** Atlanta, Ga., May 1982	International, national, regional, and local weather forecasts and features
CNN Headline News 27 million	**Turner Broadcasting System** Atlanta, Ga., Jan. 1982	24-hour news (scrambled)
FNN (Financial News Network) 26.4 million	**FNN** New York, N.Y., Nov. 1981	Comprehensive stock market reports
The Discovery Channel 24.3 million	**Cox Cable, Newhouse Broadcasting, United Cable, Tele-Communications Inc.** Landover, Md., June 1985	Nature, history, sci/tech, human adventure, documentaries
Arts & Entertainment Network 24 million	**Hearst, Cap Cities/ABC, NBC** New York, N.Y., Feb. 1984	Comedy, drama, documentaries, performing arts
VH-1 20.8 million	**MTV Networks (Viacom Int. Inc.)** New York, N.Y., Jan. 1985	24-hour music videos for the 24-49-year-old audience
SCORE 19 million	**Financial News Network** New York, N.Y., May 1985	News and interactive programs
BET (Black Entertainment Network) 15 million	**Robert L. Johnson, Tele-Communications Inc., HBO, Great American Comm. Co.** Washington, D.C., Jan. 1980	Family and religious programs, music video, jazz, talk shows
Tempo Television 12.5 million	**Tempo Enterprises Inc.** Tulsa, Oklahoma, Jan. 1979	International shows, how-to, classic movies, sports
C-SPAN II 12 million	(Non-profit corporation) Washington, D.C., June 1986	Live coverage of U.S. Senate and congressional hearings, public affairs programs
PTL Network 11 million	**Heritage Village Church and Missionary Fellowship** Charlotte, N.C., April 1978	Religious programming, talk shows and specials
The Silent Network 10.2 million	**Sheldon Altfeld, Silent Network Inc.** Los Angeles, Calif., Jan. 1984	Entertainment and information with sign language, captions, sound
TLC (The Learning Channel) 10 million	**Appalachian Community Service Network, Biotech Capital Corp.** Washington, D.C., Oct. 1980	Educational programs, how-to and career information
ACTS-Satellite Network 7.6 million	**Southern Baptist Convention** Fort Worth, Texas, June 1984	Family, inspirational (25% religious, 75% entertainment) and information
EPG (Electronic Program Guide) 7.3 million	**United Video Inc.** Tulsa, Oklahoma, Jan. 1980	Cable programming schedule
Travel Channel 7 million	**Trans World Airlines Marketing** New York, N.Y., Feb. 1987	24-hour travel info, entertainment, features
EWTN (Eternal Word Television Network) 7 million	(Non-profit, supported by donations) Birmingham, Ala., Aug. 1981	Family programming with a Catholic point of view
Trinity Broadcasting Network 7 million	**TBN Inc.** Tustin, Calif., April 1973	Health programs, talk shows, exercise, music, teaching and children's programs
TV Decisions 6.9 million	**United Media (Scripps-Howard)** Atlanta, Ga., March 1985	System-specific program listing guide

Network Homes Reached	Owner Headquarters, Launch Date	Content Access Status
Country Music Television 6.7 million	**Caribou Communications** Nashville, Tenn., March 1983	24-hour country music video
Update 2.5 million	**X-Press Information Services** Denver, Colo., May 1984	24-hour alpha-numeric news, including national and international weather, sports, stock market
Movietime Channel 2.5 million	**Movietime Channel Inc.** Hollywood, Calif., July 1987	24 hours, promotes movies at local theaters and cable television programs
Hit Video USA 2.1 million	**Wodlinger Broadcasting** Houston, Texas, Dec. 1985	Live 24-hour music video, toll-free request line, contemporary hit videos for 18-35-year-olds
Nostalgic Channel 1.3 million	**Nostalgia Network Inc.** Dallas, Texas, May 1985	Classic movies ('20s to '60s), vintage TV, celebrity interviews, newsreels
Liberty Broadcasting Network 1 million	**Oldtime Gospel Hour Inc.** Lynchburg, Va., Jan. 1986	Christian family entertainment network
Galavision .9 million	**Univisa** Los Angeles, Calif., Oct. 1979	Spanish-language *novelas*, children's programs, sports, contemporary and classic movies, music videos
Gospel Music Network .7 million	**Gospel Music Network Ltd.** Albuquerque, N.M., Nov. 1986	Christian music videos
Univision (formerly SIN) .4 million	**Univisa** Los Angeles, Calif., Sept. 1976	Spanish-language newscasts, specials, *novelas*, sports, movies, children's programming

SUPERSTATIONS

Name Homes Reached	Owner/HQ Launch Date, Carrier	Content Access Status
WTBS 42 million	**Turner Broadcasting System**/Atlanta, Ga., Dec. 1976, Tempo Enterprises	Family programming including classic movies, original sitcoms, and sports (scrambled)
WGN 22.5 million	**The Tribune Co.**/Chicago, Ill., Oct. 1978, United Video	Children's, sports, syndicated programs, prime time movies and sitcoms (scrambled)
WWOR 9.5 million	**MCA, Inc.**/Secaucus, N.J., April 1979, Eastern Microwave	Movies, sports, children's programs (scrambled)
WPIX 2.5 million	**The Tribune Co.**/New York, N.Y., June 1984, United Video	News, entertainment, sports, children's programs, movies (scrambled)
KTVT 1.9 million	**Gaylord Broadcasting**/Dallas/Ft.Worth, TX., July 1984, United Video	Family entertainment, sports programming (scrambled)

Compiled by Juan Suarez

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top 17 cable networks combined 83 cents per subscriber per month in 1987—not including the ESPN-NFL surcharge—compared with 67 cents over the previous year, according to media analysts Paul Kagan Associates Inc.

PKA also estimates that networks now get 30 percent of their revenue from affiliation fees and 70 percent from advertising, though many network executives put the split closer to 50-50. Cable continues to struggle to find a niche among advertisers' media buyers. This was the year cable got past the $1 billion mark in ad revenues, but the gain was rather slight since 1986 revenues topped $900 million.

That dual income source, says ESPN's Grimes, will one day succeed in bringing on broadcasting's *bête noire*, a cable industry rich enough to outspend it for programming. Cable networks—particularly Lifetime, CBN and USA—continue to pick up off-network series, often for a pre-broadcast syndication window. The next step has already been taken. Talks are on with producers about tailor-made first-run material for cable at prices that presumably match those paid by veteran broadcast TV buyers.

It is programming such as first-run series and big-event specials that lift cable viewership to anything near broadcast levels. Regular-season NFL games can earn double-digit ratings. WTBS got a record 11.4 for the single episode of its *National Geographic Explorer* series that gave its viewers exclusive footage of the *Titanic*.

Operator-investors will be key to helping basic networks acquire high-profile programming until cable can command bigger ad revenues. Further increases in subscriber fees are likely, as are affiliate surcharges for special events, since the marketplace has shown a willingness to tolerate both over the past year.

Operators, for their part, may have found another revenue source in trading distribution for dollars. The Discovery Channel shares a percentage of its ad revenue in return for high-visibility positioning on systems. Telshop sought preference over its home-shopping competitors by offering equity, backed by parent Financial News Network stock. The Travel Channel, too, hopes to trade equity for carriage. And The Fashion Channel sold stock to operators before it launched.

In the near term, operators hold a powerful hand. Says David Meister, an FNN board member, "The operators are our top priority. Without them, we don't have a business at all."

LUCY BALLARD

THE WIRE

HOW TO COLLAR A WHOLE NEW AUDIENCE WITH TELSHOP.

IT'S SIMPLE. WITH TELSHOP, YOU CAN ADD THE BIG "FAMILY MARKET" TO YOUR PRESENT CABLE SHOPPING AUDIENCE.

The reason: our shoppers spend an average of $90 on each unit purchase. That's almost three times greater than any other cable shopping network, and makes the products we sell important to the entire family.

TelShop shoppers spend more because they have more confidence in the products offered and the value received. We have more brand name merchandise than any other shopping service. Not close-outs. Not outdated merchandise. Not impulse items, but brand name products currently being sold in better stores around the country for much, much more. We prove it by comparing prices on-screen, so our viewers know how much they're saving without wasting time and gasoline. Then we guarantee the lowest price for 30 days, and even throw in a "no quibble" return policy and the manufacturer's full warranties.

Now TelShop is available weekdays as well as nights and weekends. That means you have many more hours of viewing by a whole new audience of family buyers. Multiply that against our generous commissions and our higher unit sale and you can see why TelShop is your best bet to add big dollars to your bottom line.

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A BETTER BRAND
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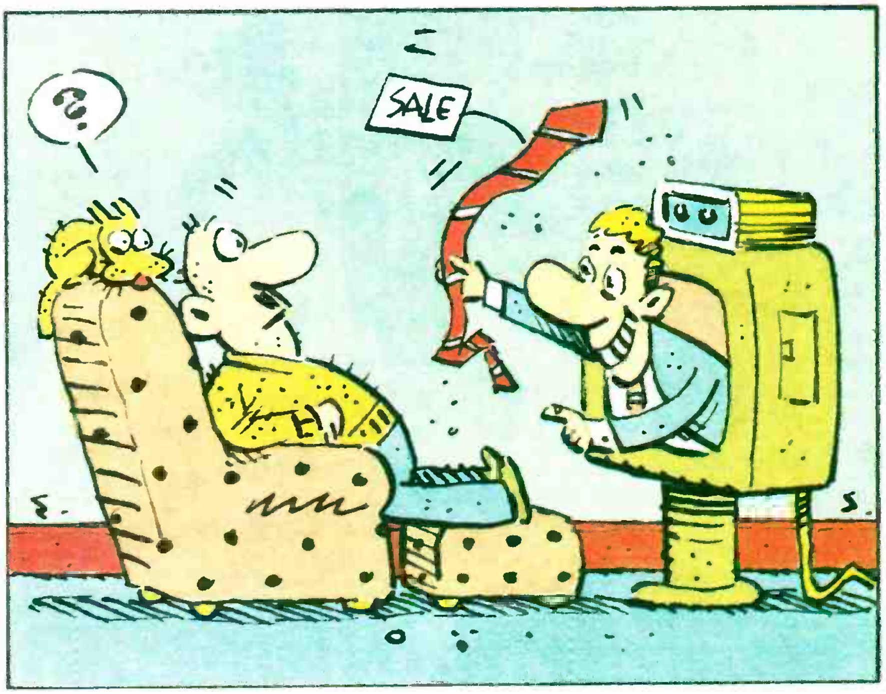
HOME SHOPPING NETWORKS

A Year After the Frenzy, Order Starts to Set In

Many services have already come and gone in the infant business. Now, lessons learned, strategies for its best uses are in the making



ELWOOD SMITH

THE WIRE

Just as The Fashion Channel was making its national debut from its Carson City, Calif., studios on October 1, the earth rumbled in the largest quake southern California had experienced in a decade. Perhaps it was sheer coincidence, but the timing of the quake couldn't have been more fitting. With the number of home shopping services now over 30, Fashion Channel's debut is a significant industry marker and points toward two important developments in 1987: the rapid expansion of the two-and-a-half-year-old industry; and the emergence of "specialty" shopping channels, expected to be the next wave of shop-by-TV services.

No other TV business has had as rapid a rise, and subsequent consolidation, as home shopping. And no home shopping service better illustrates the industry's many contortions than Home Shopping Network (HSN), the service that started the frenzy when it went national in '85 and public in '86. HSN's rags-to-riches story is well known: It rose from its roots as a regional Florida shop-by-TV channel to become the hottest new programming idea to hit cable—and the hottest new issue to hit Wall Street.

But in the last year things began to go awry. After peaking in January at $282 (adjusted for two splits)—a dramatic climb from its $18 initial public offering eight months before—HSN stock went down to $16 in May; stockholders sued, alleging HSN had filed false and misleading data. Competitors also began moving in, signing up cable systems that HSN counted on, and offering operators attractive equity deals. HSN hedged by purchasing 11 UHF TV stations—and in the process angered cable operators who like their services exclusive. At the same time, criticisms mounted over HSN's selection of merchandise. Batches of defective fur coats and personal computers were returned and best-selling—some say "schlocky"—items such as cubic zirconium jewelry, Capodimonte figurines and electronic flea collars came to represent all that was wrong with HSN and the shop-by-TV craze.

The worst blow came when HSN's quarterly statements fell behind projections, further losing the confidence of investors. Though representing significant growth over 1986 (any other business would have been ecstatic over $29.5 million in net income for 1987, a 174 percent increase over 1986), HSN was way behind the expected $90 million. Part of the problem, HSN says, was a faulty GTE phone system, which caused it to lose customer calls. It sued GTE for $1.5 billion.

HSN's problems have left it an easy mark for competitors, who have used its troubles to ingratiate themselves with cable operators. Says Peter Barton, executive vice president of competing shopping channel Cable Value Network (CVN), when asked about his "home shopping" service: "Don't call it home shopping. Call it Home Buying by Television or something. Home shopping is the name of a company that no one likes anymore."

If nothing else, HSN's troubles helped to tone down the entire industry. Even analyst Paul Kagan reassessed the business, scaling back original forecasts of $2.25 billion in revenue for '87 to $1.75 billion, based on sales of $38 per subscribing home. "We are not bears on the home-shopping business," said Kagan at a panel he sponsored in May. "The investment community overdid it. . . . We have a business with legs, but it has to be treated more gingerly than people have been."

Adds Barton, whose CVN is now owned by CVN Companies Inc., formerly C.O.M.B. (HSN and C.O.M.B. almost merged early in '87 until cable operators found out and balked at the prospect): "HSN did a great disservice by creating unreal dollar expectations and then not meeting them. They were throwing out words like 'a billion,' and when they didn't achieve that it left the impression that this was a bad business."

Home shopping—or home buying by television—is far from a bad business, as many will testify. Some even have stopped calling it a fad. So far, three broad-based services dominate: HSN (despite its problems), CVN and QVC Network, a public company whose investors include president Joseph Segel, Safeguard Scientific and major cable companies. CVN should

ARE SIMILAR HOM
CANNIBALIZING EACH

Cable operators we've talked to say yes.

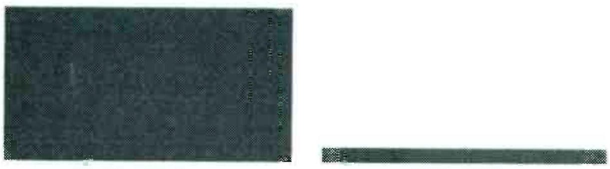
The same audience buying the same repetitive merchandise is diminishing instead of doubling your home shopping revenues.

We're changing all that.

▶ We've got a totally different approach to home shopping.

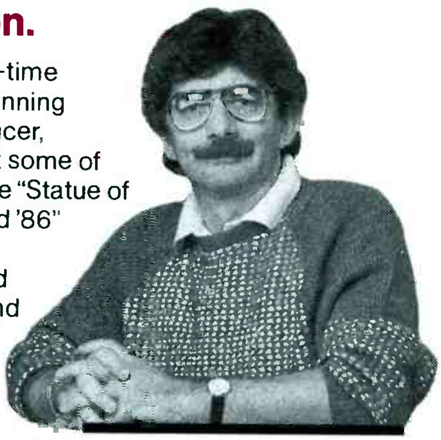
There's nobody like us. Nobody with the format we've got. We're selling quality brand name merchandise in a specially designed 15,000 foot shopping mall setting.

STN will attract the big, untapped audience that has propelled such specialty catalogs as Sharper Image, Land's End and William Sonoma to the best seller list —instead of the TV shoppers who are buying the jewelry, collectibles and close-outs offered on current home shopping shows.



$50+ billion catalog business | **$2¼ billion tv shopping business**

▶ We've got network-quality production.

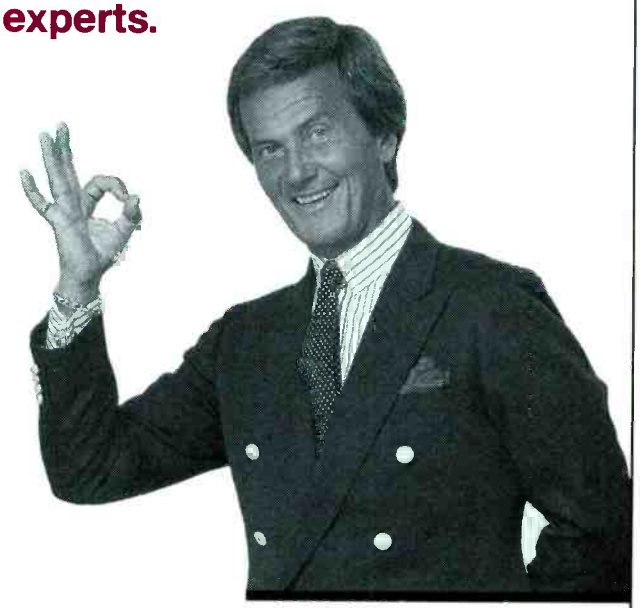


Thanks to our 17-time Emmy Award-winning Executive Producer, Gary Smith. Just some of his TV credits are "Statue of Liberty Weekend '86" and the Barbra Streisand and Neil Diamond specials. Gary's created a shopping mall setting and the entertaining touch that make our show unlike any other shopping show.

▶ We've got 30-minute theme programming.

And more of it. So, subscribers can plan their viewing by tuning into the product categories that interest them the most. Some of our exciting 30-minute segments are "Sports Club," "Today's Woman," "Better Health and Fitness," "Home Workshop," and "Made in the U.S.A."

▶ We've got full-time celebrity hosts like Pat Boone and regular appearances by product experts.



You couldn't ask for a better celebrity host. Pat's believable, well-liked, and very approachable. And our 30-minute specialty segments feature guest experts who give viewers the information and demonstrations they need to make smart buying decisions. That's what makes our sales approach so different and so solid.

SHOPPING SHOWS
)THER'S REVENUES?

▶ **We've got a joint venture with JC Penney.**

JCPenney

Six JC Penney's distribution centers nation-wide. 14 telemarketing centers capable of handling 600,000 calls a day. All this plus our around-the-clock hassle-free return policy, our 48-hour shipping guarantee and our lowest-price policy that means we don't intend to be undersold.

▶ **We've got sensational savings on a broad range of brand name merchandise.**

Not just jewelry and collectibles, but upscale selections in every department store category at savings up to 50% or more on domestics, electronics, fitness equipment, cosmetics and much more. Right down the line, first class merchandise by such powerhouses as Seiko, Cannon, Black and Decker, GE, Sony.

▶ **We've got a risk-free, double-your-money, cash guarantee.**

Carriage Guarantee

For six months following our October 16 launch, we'll match the highest commission paid by any TV shopping service you presently carry, or 5% of sales, whichever is greater. We're also offering equity participation on the basis of one point per million homes guaranteed by the operator.

▶ **We've got our representatives waiting for your call at 212 957-0428 and 213 871-8144.**

STN

The Better Shopping Channel

See you at
the **WESTERN CABLE SHOW**
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We've got a whole new approach to home shopping.

SATCOM III R, TRANSPONDER 5

bill $350 million this year ($15 million will be paid out in commissions), and QVC billings hit $100 million for its first year. Now, with major retailers like J.C. Penney, Sears Roebuck and K-Mart investing heavily in services of their own, home shopping has moved out of the sole domain of TV and into the even bigger world of retailing. Even TWA has gotten into the act with The Travel Channel, which sells international goods during "World Shopping" segments.

But it hasn't been easy for every entrant into home shopping, and 1987 saw a fair amount of losers as well. Tempo TV canceled Shoppers University, which it was producing with Horn & Hardart; Crazy Eddie pulled out of its home-shopping plans; Entertainment Marketing's Consumer Discount Network was on the block at the end of '87; and Telephone Auction Network filed for bankruptcy in May.

Then there are the broadcasting fiascos, including *The Home Shopping Game* show, from syndicator MCA with HSN, and ABC's *Bargain Hunters*, both of which ran in daytime and neither of which could pull even mediocre ratings. *Value Television* (VTV), a broadcast venture between Lorimar-Telepictures, Horn & Hardart and Fox Television that starred Alex Trebek and Meredith MacRae—and later Richard Simmons—lasted 26 weeks before it was canned. Shopping shows on broadcast TV, says Mary Alice Dwyer Dobbin, ABC vice president of daytime programming, "just don't have broad appeal. They come across as tacky. *VTV* was an attempt to be broad, but it was in the guise of a talk show. Maybe the public is too smart."

At the same time, MCA has not given up on plans to make home shopping work on broadcast TV and in the fall started *Home Shopping Overnight Service* with HSN. Horn & Hardart is also trying to relaunch *VTV*—without Lorimar.

But cable operators are getting edgy about home-shopping clutter. As cable shopping services proliferate and broadcasters continue to try out new shopping shows, or convert UHF stations to 24-hour shopping formats, cable worries that an influx of home-shopping programming will alienate subscribers. "Home-shopping shows are like aspirin," says Dave MacDonald, president of New York Times Cable. "A little is great. Too much might be a problem."

MacDonald expects $400,000 in commissions in 1987 from HSN, the only shopping service he contracts to carry. And while he's delighted by the windfall, he says it may not be worth it if subscribers or potential subscribers are turned off by such programming. Adding home-shopping channels has not increased buy rates, operators have found, and, according to *Electronic Shopping News*, only 15 percent of cable homes have ever purchased goods from a home-shopping show.

MacDonald and others are also disturbed by cable networks that lease downtime on their signals to home-shopping programmers, or, as in the case of FNN's Telshop, program their own show. "We don't buy FNN for Telshop," MacDonald said at Kagan's seminar in May. John Sie, senior vice president of Tele-Communications Inc., also at the session, said TCI will do "everything within the law" to black out shopping shows for which it has not contracted.

Operators could be persuaded to add channels if it's proven they attract subscribers who don't use existing shopping channels. Several newcomers could fit the bill. J.C. Penney is testing an interactive system called Telaction with 125,000 subscribers in Chicago; GTE is testing Main Street, also interactive. Specialty services such as Travel Channel and Fashion Channel are generating interest.

But the business is still in its infancy. When, as Barton says, the "hypesterism" dies down, as it started to this year, operators, broadcasters and programmers can begin to fully realize home shopping's potential, and next year start to concentrate on strategies for its effective use.

CECILIA CAPUZZI

NATIONAL HOME SHOPPING NETWORKS

Name Homes Reached in millions	**Owner** Headquarters Launch Date	**Content**
Video Mall Network 20	**Video Shopping Mall Inc.** Jenkintown, Pa. June 1986	Business and franchise opportunities; entrepreneurial, self-improvement and home-study information
Consumer Discount Network 20	**Entertainment Marketing Inc.** Houston, Texas Sept. 1986	Electronics, sporting goods, clothes, jewelry, housewares, novelties
Cable Value Network 19.5	**CVN Companies Inc.** Minneapolis, Minn. May 1986	Electronics, tools, toys, jewelry, clothing
Home Shopping Network 15 (includes HSNII)	**Home Shopping Network** Clearwater, Fla. July 1985	Jewelry, electronics, hardware, toys, clothing, collectibles
Home Shopping Network II	**Home Shopping Network** Clearwater, Fla. March 1986	High-quality merchandise
QVC Network 10.5	**QVC Network Inc.** Westchester, Pa. Nov. 1986	Jewelry, electronics, appliances, toys, games, clothing
Telshop 10	**FNN** New York, N.Y. Aug. 1986	Brand-name merchandise and travel services
The Travel Channel 7	**TWA Marketing Services Inc.** New York, N.Y. Feb. 1987	International, high-quality goods
The Fashion Channel 6.5	**Fashion Channel Inc.** Carson City, Calif. Oct. 1987	Brand-name clothing
Sky Merchant 1	**Jones International Ltd.** Englewood, Colo. Oct. 1986	Jewelry, outdoor products, toys, electronics, clothing, collectibles
Shop Television Network 1	**Shop Television Network Ltd.** Los Angeles, Calif. Oct. 1987	Brand-name merchandise

Compiled by Juan Suarez

THE WIRE

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Carry HSN 1®, available exclusively to Cable Operators, and earn an average commission of 10¢ per subscriber, per month.

Carry HSN 2® (our broadcast signal) and boost your average commission to 18¢ per subscriber, per month. Our Tracking Station will monitor all sales in your wired franchise area and pay commissions for all subscriber *and* non-subscriber homes.

Suit up with the HSN℠ Flight Crew and we'll prepare you for profit lift-off with the HSN Launch Kit. Loaded with marketing support materials to sustain momentum of your new revenue source on an ongoing basis. Explore your options, but carry the right payload.

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HOME SHOPPING NETWORK

The Right Time.
The Right Choice.
The Right Stuff.

Call (813)572-8585
Affiliate Sales
to suit up today.

Commissions shown represent the average actual commissions earned per month, per cable system, based on averages of all affiliated systems above 1,000 subscribers.

PAY CABLE NETWORKS

Great Expectations: One More Time

Pay cable networks are now selling to their second generation of viewers. How did they break through to this jaded lot?

To the surprise of the industry and its analysts, both driven to legitimate pessimism last year, 1987 found four of the major pay-cable networks propelled to growth they hadn't seen in two years. HBO, Showtime, Cinemax and The Disney Channel showed gains from early '87 on, a marked change from the second half of '86 during which they attempted to replace subscribers lost during the first half of the year. Paul Kagan Associates (PKA) reported 1.5 million new subscribers by mid-1987, more growth than in all of '86. Pay cable is now in 27.4 percent of all TV homes, according to the A.C. Nielsen Co.

For part of the period measured by PKA, both HBO and Showtime ran major promotions enticing potential subscribers with discounts and free trials. But subscriber numbers remained strong even during the second quarter, when promotions ended. Last year, pay services paid between $20 and $100 to acquire a new subscriber, and they will likely continue to pay that amount if they want to grow, says PKA's Steven Rosenberg. Marketing campaigns, including $2-a-month first-year pay subscriptions, retain about 25 percent of subscribers after the first year, he adds.

The Disney Channel, which by July had added 10 percent to its January subscriber count of 3.17 million, continued on a roll all year, and appears to be holding on to most of the subs it took on through free trials. At the same time, it curried favor with new system affiliates by offering deep discounts and advising that they pass the savings on to subscribers to raise penetration.

Another key chapter in 1987's pay-TV story revolved around the vicissitudes of Showtime/The Movie Channel. The number two pay-TV company gained a new owner when Sumner Redstone's National Amusements Inc. bought Viacom International, parent of S/TMC, for $3.4 billion. Redstone quickly hired Frank Biondi, chief executive officer of Coca-Cola Television and former chairman/CEO of HBO, as Viacom's new chief executive. Biondi then hired Tony Cox, a vice president at Time Inc. and a former HBO president, to run S/TMC.

Redstone has met with cable operators and movie industry executives, who support an HBO alternative, about buying a minority interest in S/TMC, though he's uninterested in completely divesting pieces of his new media conglomerate.

S/TMC lost a major marketing ploy when Paramount Pictures agreed to sell to HBO at the end of an exclusive deal with S/TMC that's set to expire in mid-1988. The impending loss of Paramount's movies could leave Showtime crippled. Ironically, it was S/TMC that ignited the industry's second round of exclusivity wars in early 1986, signing companies such as Touchstone Pictures, the Cannon Group and Atlantic Releasing.

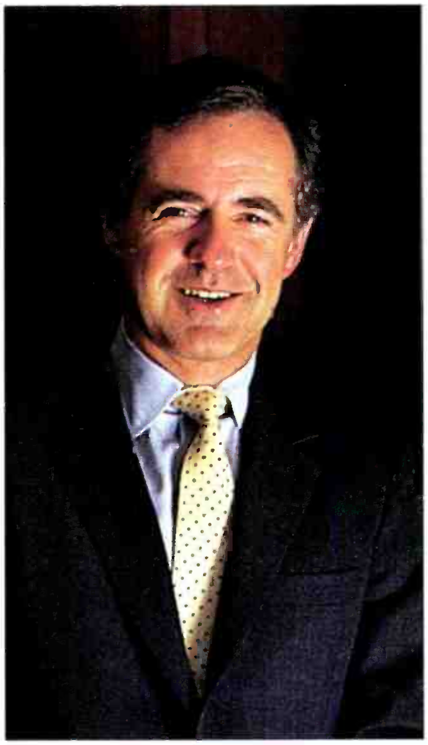
But HBO, now selling itself on volume, is unenthusiastic about exclusivity: "We're not in the business of denying titles when it comes to buying movies," says Seth Abraham, HBO senior vice president. HBO's deal with Paramount allows S/TMC to buy titles from the studio, at which point HBO would pay lower licensing fees, having lost its de facto exclusivity. That could prove attractive for HBO in spring 1989, when Paramount films start to become available to pay cable.

S/TMC's other big problem is The Movie Channel, which has been leaking subscribers. (It and The Playboy Channel have had the worst subscriber erosion in the last year.)

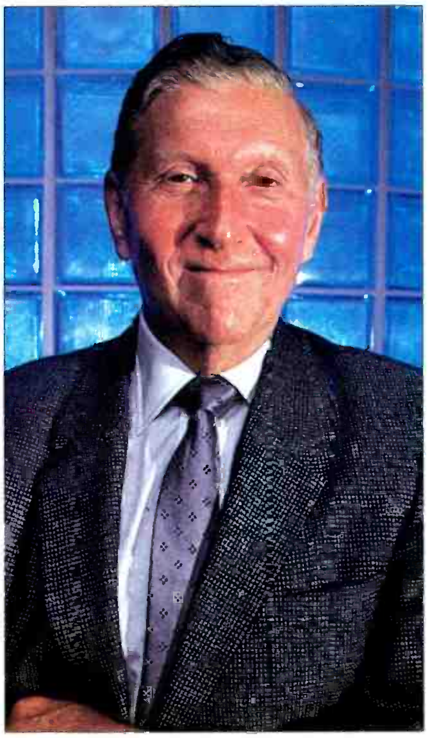
HBO has its own marketing job in the form of new service Festival, launched this year for consumers who reject pay TV because of R-rated films. By year-end '87, HBO expects Festival will have 50,000 subscribers in 100 cable systems, aiming to increase pay penetration 5 to 10 percent in any market. The new network is said to need 300,000 to 500,000 subscribers to break even.

On balance, it's clear the pay-cable business pulled a remarkable turnaround in '87, overcoming the bleak look of 1986.

RICH ZAHRADNIK



NORA FELLER



SETH RESNICK/PICTURE GROUP

Viacom CEO Frank Biondi (top) and owner Sumner Redstone: New Showtime plans.

THE WIRE

PAY CABLE NETWORKS

Name Homes Reached	Owner Headquarters, Launch Date	Content
HBO 15 million	**Time Inc.** New York, N.Y., Nov. 1972	Movies, variety, sports, specials, documentaries, children's programming (scrambled)
American Movie Classics 7 million	**Cablevision Systems** Woodbury, N.Y., Oct. 1984	Hollywood classics from the '30s to the '70s (scrambled)
Showtime 5.7 million	**Viacom** New York, N.Y., July 1980	Movies, variety, comedy specials, Broadway adaptations (scrambled)
Cinemax 4.1 million	**Time Inc.** New York, N.Y., Aug. 1980	Movies, comedy, music specials (scrambled)
The Disney Channel 3.2 million	**Walt Disney Co.** Burbank, Calif., April 1983	Original feature films, specials, series, classic Hollywood films and Disney cartoons
The Movie Channel 2.6 million	**Viacom** New York, N.Y., Dec. 1980	Double features, film festivals, movie marathons (scrambled)
The Nostalgia Channel 1.3 million	**Nostalgia Network Inc.** Dallas, Texas, May 1985	Vintage programming, movies, cartoons, sports, documentaries
The Playboy Channel .54 million	**Playboy Enterprises** Los Angeles, Calif., Nov. 1982	70% original programming, comedy, music, talk shows; 30% acquired films
Bravo .5 million	**Cablevision Systems** Woodbury, N.Y., Dec. 1980	70% international films, 30% performing arts specials
SelecTV .2 million	**Telstar Corp.** Los Angeles, Calif., 1976	Movies, family entertainment
Festival .05 million	**Time Inc.** New York, N.Y., May 1980	PG-rated movies (suitable for families) with some R-rated movies (scrambled)

Compiled by Juan Suarez

The only thing hotter than Galavision on Basic.

To operators with a taste for profits, today's hottest market is Hispanic. And Galavision is just the ingredient to make the sale.

Until Galavision on Basic, the 20,000,000 U.S. Hispanics* were 30% under-penetrated by cable. The truth is, Basic Cable had little to offer a Spanish-speaking family.

Now, Galavision provides the first Spanish-language entertainment channel **exclusively** for Basic Cable. That means you can sell Spanish-language movies, variety, and sports – all derived from the varied cultures that make up today's U.S. Hispanic market.

In a mere 12 months, Galavision has grown to 1,000,000 Hispanic cable households. It makes an immediate, **measurable** impact on Basic sales and profits in any market with a Hispanic base. It can also build valuable franchise goodwill in the community.

For the recipe to attract the growing Hispanic market, add some spice to your basic menu. Call the sales representative nearest you.

New York, John Ruiz (212) 826-5200,
Dallas, Vera Gonzales (214) 980-7773,
Los Angeles, Daniel Huertas (213) 859-0066.

*U.S. Census Bureau Report, 1987

Galavisión

THE PREMIUM ENTERTAINMENT CABLE SERVICE IN SPANISH

PAY-PER-VIEW NETWORKS

Waging the Battle for Ultimate Consumer Comfort

PPV networks know they have buyers when the event is right and the ordering easy. Can they now make PPV cable's future?

A marketing man, in search of a million-dollar idea, came up with this one: A videocassette customer plans an evening at home, chooses a title from his video store's catalog, calls in his order and has delivered to his door a tape—and a pizza.

Video retailers might have to begin seriously entertaining this and wilder schemes. They know that without an unlikely agreement from the studios promising always to release films on videocassette first, they must increase comfort and convenience levels for their customers to battle the armchair ease of pay per view.

In 1987, cable operators showed that if the programming and technology are right, viewers can be persuaded to fork over $4 to $5 for a movie, sporting event or concert at home.

Problems remained, of course, mostly with the studios. Universal refuses to deal with a middleman like Viewer's Choice; other studios object to Request Television's policy of playing one title per month rather than providing bulk exhibition.

Request—operating on a $40 million investment over five years by Columbia, Disney, Lorimar, MGM-UA, New World, Paramount, Fox, Universal and Warner—has so far been stymied by its partners' objections to its plan to fund a second channel through a cash-and-subscriber investment by MSOs United, American, Daniels, Centel, Herron and Heritage.

But on the programming side, *Wrestlemania III*, the extravaganza staged by the World Wrestling Federation (WWF) in March, grossed a record $13.4 million by capturing 10.2 percent of total PPV homes reached. The next month, the Leonard-Hagler fight generated $8 million. Late in the year, Paramount Pictures' *Top Gun* seemed destined to become the industry's first $1 million-grossing movie.

There were also encouraging technological strides, as major cable operators increased orders for the two-way addressable equipment crucial to PPV's growth, Paul Kagan Associates estimates that nearly 2 million addressable subscribers were added by the top 50 MSOs between June '86 and June '87, a gain of 27 percent. Kagan projects that 13.6 million homes, or 32 percent of the cable television universe, could have addressable hardware by year-end '87.

But for most of the cable industry, PPV remains a long-term dream, not a short-term reality. None of the national PPV networks has so far earned a dime. Jack Pottle of Browne, Bortz & Coddington estimates that regular PPV programming still only reaches about 4 million, or 10 percent, of cable homes. Marketing savvy, never cable's strong point, is lagging among the PPV forces as well. The WWF achieved its 10.2 percent rating on *Wrestlemania III* by spending more than $1 million of its own money on promotion and advertising. There are constant complaints that even a national PPV service like Request, whose studio partners are certainly veteran promoters, has not shown enough marketing support for affiliates.

Yet optimism reigns, largely because of technological advances, and the national networks are marching forward. Viewer's Choice, wholly owned by Viacom, launched a second channel last summer. Pay Per View Networks Inc., formed by MSOs Continental, Cox, ATC, Newhouse and Telecable, aimed to begin operations by the end of 1987.

By that time, says Goldman Sachs' Barry Kaplan, PPV revenues would have reached $120 million, on their way to $197 million by 1988. He attributes some of that acceleration to advances in hardware—a category that, for the time being, does not include pizza.

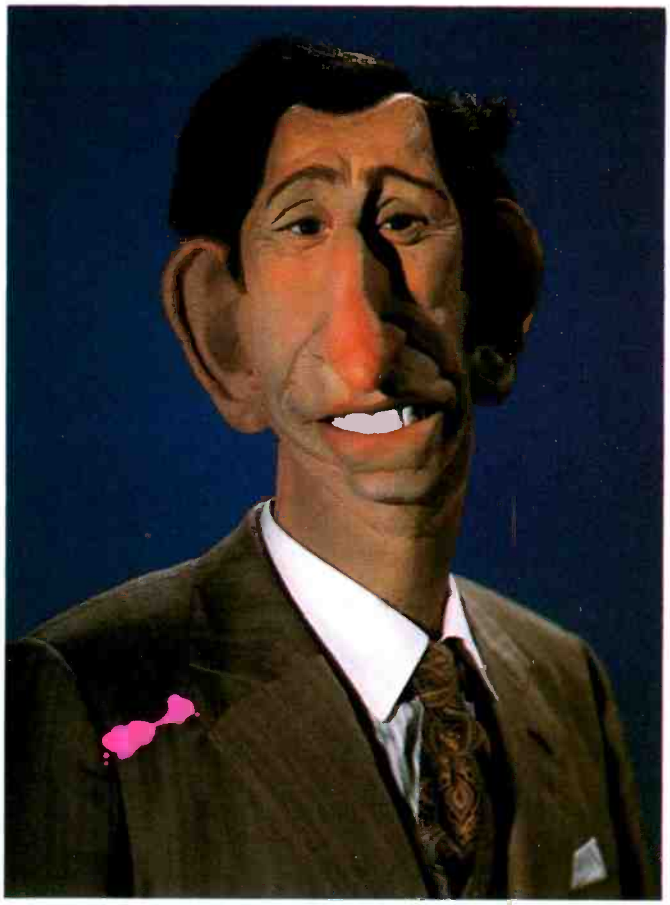
ALAN BREZNICK

PAY-PER-VIEW NETWORKS

Name Homes Reached	Owner Headquarters Launch Date	Price Range Content
Request Television **2.5 million**	Reiss Media Enterprises New York, N.Y. Nov. 1985	Varies per affiliate. Two to four movies a week, special events (scrambled)
Pay-Per-View Network **2.3 million**	ATC, Newhouse, Telecable, Continental, Cox Cable New York, N.Y. Dec. 1987	Movies (rental price N.A.)
Viewer's Choice **2.2 million**	Showtime (Viacom) New York, N.Y. Nov. 1985	$4 to $5 per movie. $4 to $29 per sports event (scrambled)
Playboy's Private Ticket **155,000**	Playboy Ent. Inc. Los Angeles, Calif. July 1985	$3 to $5 per movie. Original programs and R-rated movies in weekly two-and-a-half-hour blocks
Telstar **80,000**	Telstar Satellite Corp. of America Los Angeles, Calif. July 1986	$2 to $4.50 per movie. Movies (scrambled)
Jerrold's Cable Video Store **40,000**	General Instrument Inc. Hotboro, Penn. April 1985	$.99 to $3.99 per movie. Movies, children's programs, how-to, sports (scrambled)

THE WIRE

ONE INSTINCTIVELY KNOWS WHEN ONE'S GOT IT RIGHT.



THE PUPPET WORKSHOP, HOME OF SPITTING IMAGE

Ladies and gentlemen of the, err, Industry, I have been asked to speak at length about, err, "perfection", and, during one's eternal search for perfection in the field of outside broadcasting, and indeed, studio facilities in England, one need not look any further than the incomparable excellence of Limehouse Studios and its, err, parent company, Trilion.

One supposes the word about Trilion is already getting around the old boy network as the fellows at ABC, CBS, NBC and many major independents have used Trilion extensively in the past. In fact, one need only to see Trilion's work at Wimbledon, and indeed in one's own backyard at the Polo at Windsor to be impressed by the calibre of the chaps' outside broadcast work.

Take the Wedding, for instance. Seems old Fergie wanted her chums in the States to see it on TV – jolly decent of the chaps at Trilion to oblige!

As for the studio, err, Limehouse, they went on to, err, prove their expertise in studio work when asked to bring the Family to the forefront of every American home by shooting a rather quaint show, about err, puppets(?)! One hears it went down spiffingly here in the States.

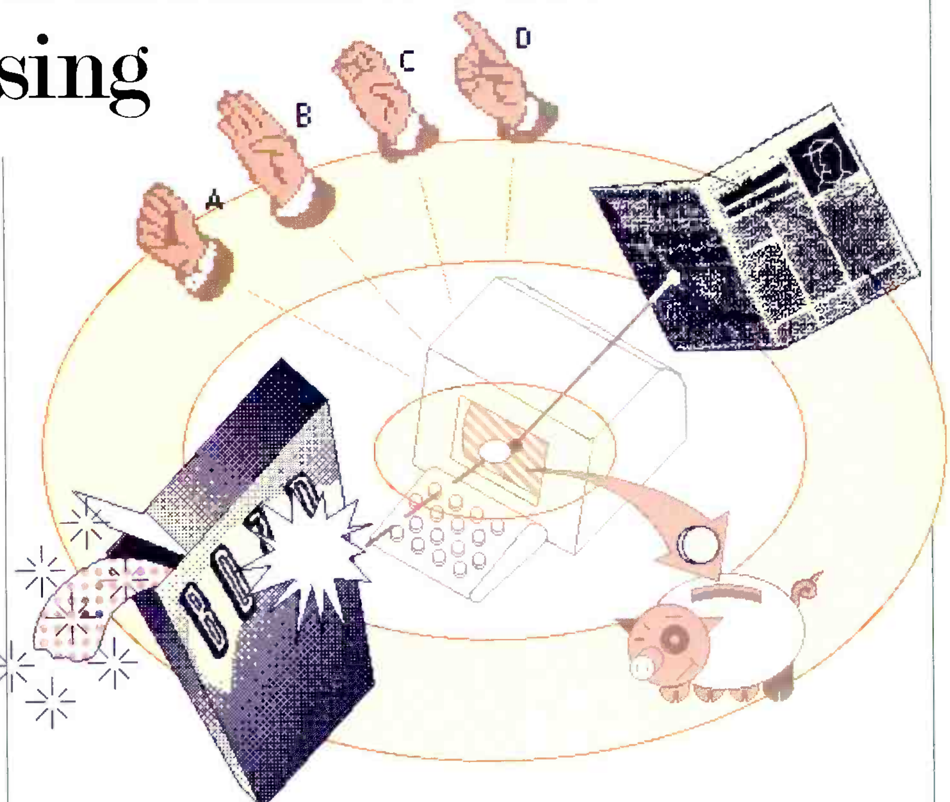
In fact, one was so impressed, one simply HAD to tour the facilities! Limehouse have the largest independent TV studios in the UK, with drive-in facilities, an enormous amount of equipment, huge zooming cameras and all those latest dingly bobs and thingamijigs one needs in post production to produce a right royal show.

So when your chaps have a job in England, whether it be inside or out, do give the fellows at Limehouse or Trilion a call.

TRILION AT LIMEHOUSE

Limehouse Studios, Canary Wharf, West India Docks, London E14 9SJ. Telephone: 01-987 2090. Telex: 296149 LIMHSE G. Fax: 01-538 4807 One of the Trilion plc Group of Companies

People Still Don't Know Just What They're Missing



JOHN HERSEY

Costly failures drove some companies away from video information services, but survivors hope a new Prodigy is on target

Videotex promoters are like fans of a baseball team that dwells in the cellar: To the believers, there's always next year. Now, 1988 could be that year, thanks to the debut of the long-awaited Trintex project—an ambitious service that brings demographically targeted advertising as well as information to home computers.

IBM and Sears (and CBS until it pulled out in '86) have secretively spent what industry analysts estimate to be nearly $250 million on their Trintex joint venture. Early in '88 they plan to launch an on-line system called Prodigy (expected price, $15 a month) that will offer shopping and financial services as well as material from *USA Today* and Dow Jones and special columns by name writers.

Nearly 120 advertisers, ranging from Neiman-Marcus to Rubbermaid, have signed to buy space at the bottom of some "pages" of Prodigy as it rolls out initially to regions with high concentrations of home computers, such as the Hartford, Conn., and Atlanta areas, and then to the rest of the country by 1990. But the potential audience will be rather narrow—households with office-quality PCs (probably requiring 256 kilobytes of memory) and 1200-baud modems. (Trintex has not released final specifications for the sytem.)

The spotlight is on Trintex because a court ruling late in '87 restricted the information-services role open to the regional phone companies spun off from AT&T. All seven "Baby Bells" were developing plans for home information and transaction services, but U.S. District Court Judge Harold Greene rejected the Justice Department's recommendation that they be unleashed. Greene said the Baby Bells can carry data services operated by others but can't operate their own.

In some circles the word videotex has become verboten, following the costly failures of systems started by Knight-Ridder and other media companies between 1983 and '86. But about 40 national or regional systems that go by other names—"home information services" or "interactive transactional systems"—reach some one million customers. CompuServe, with nearly 400,000 customers, and Dow Jones News/Retrieval, with 340,000, remain the largest. General Electric's GEnie service, with 90,000 subscribers, is number three.

Dozens of entrepreneurs, franchisors and such large firms as GTE have interactive video projects as well. U.S. Videotel is launching Houston-area service with the Minitel technology used by three million households in France. The simple Minitel terminals are the kind of low-cost "dumb" terminals (without computing power) that were envisioned in the early days of videotex planning, but the spread of personal computers in the early '80s made PCs the preferred user terminal.

There's no device as widespread as the PC, however, that consumers can use to receive teletext, the broadcast cousin of videotex. Yet teletext too has its enduring enthusiasts. CBS-TV continues to pump out news stories and captions for the hearing impaired in its ExtraVision service, encoded on the vertical blanking interval of the CBS network signal. Ninety percent of CBS affiliates pass along the teletext signal. About 40 stations and superstation WTBS carry Great American Communications' Electra service (which uses a different technical standard). In a pact that has two more years to run, Great American (formerly Taft Broadcasting) agreed to operate the service and Zenith pledged to make TV sets with decoders that can grab teletext frames and display them at the viewer's request. At least 300,000 sets with "text" buttons have been sold.

The big problem for teletext, as well as videotex, is that consumers have no great desire to read text on their TV screens. Since their birth in Britain and France a decade ago, the technologies have been driven by technical capability, not consumer demand. Trintex thinks it has found the answer in its moderately priced, customized editorial/ad mix. But Trintex's monthly fee approaches that of cable TV, and may shoot up along with those of other on-line services in '88 if the FCC adopts its proposed $5-per-hour "data access fee," to be collected by local phone companies.

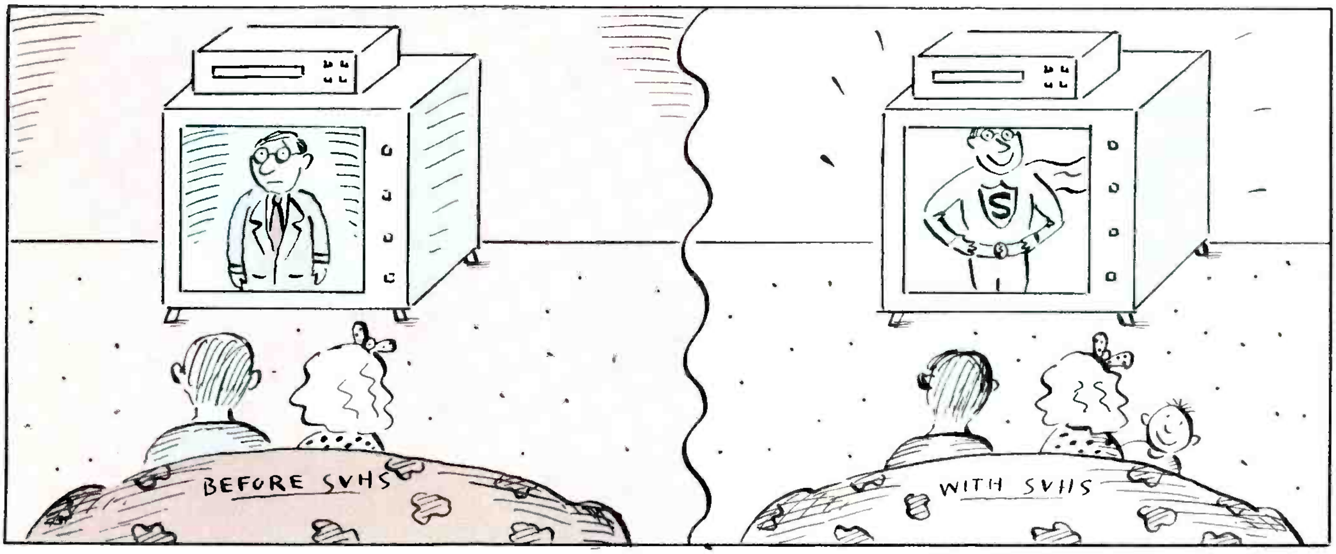
Videotex promoters continue to believe that consumers somewhere have a sweet tooth for the services that technology could bring home. If things don't work out in 1988, well, there's always 1989.

GARY ARLEN

THE WIRE

VIDEOCASSETTE RECORDERS

Sharp and Super: A New VCR's Got the Picture



PAUL MEISEL

The SVHS format upstages broadcast and cable TV in image quality, while the industry hits a penetration milestone

It has been fashionable in broadcasting circles to dismiss the VCR as an appliance—some network executives liked to call it a "toaster." And although the home-video recorder has been with us since 1975, in 1987 it stopped being a toaster and became, in the eyes of its competitors, a medium to reckon with. Two significant developments in '87—one involving quantity, the other, quality—made the television networks, the National Association of Broadcasters and the cable TV community look at the VCR in a new light.

Since July of this past year, according to Nielsen Media Research, more than 50 percent of American TV homes have owned VCRs—program-zipping, commercial-zapping, time-shifting VCRs. Penetration passed 60 percent in Los Angeles and neared that figure in New York City, Chicago and other major markets. Major TV ratings services moved into the final stages of testing new technology to measure playback of time-shifted programs. And in the same July Nielsen survey period, the number of homes with VCRs passed the number of homes subscribing to cable.

It was also the year of a truce between the Motion Picture Association of America and the video industry. For the VCR's first 12 years on these shores, MPAA chief executive officer Jack Valenti fought home video in Congress, in the courts and in public speeches. Suddenly, everything is sweetness and light between VCRs and the MPAA. Forget about the rancor caused by the Supreme Court's 1984 Betamax decision—the videocassette has become an important contributor to Hollywood coffers.

But the year's major development was largely a psychological one—a realization so traumatic to the television establishment that it left even the developers of VCRs blinking in wonderment. Simply put, for the first time the picture that comes from a videocassette is better than the one offered by broadcast TV.

The vehicle for the VCR's breakthrough is the new "Super-VHS" (SVHS) tape format, developed by Japan Victor Corp. (JVC), which holds the basic patents on the familiar VHS videocassette system. Used with a good TV set, SVHS is capable of re-creating a noticeably sharper, finer-detailed picture with 420 lines of horizontal resolution, as compared with a maximum of 330 lines for broadcast or cable TV. (The term "horizontal resolution" often causes confusion: Lines of horizontal resolution have nothing whatsoever to do with the 525 horizontal lines that make up American TV pictures—that's *vertical resolution*. The "lines" of horizontal resolution aren't really lines at all; it might be better if they were regarded as the "dots" across the width of the screen.)

Taking the step up to SVHS came at a disquieting price to VCR manufacturers—particularly JVC, which for years has vowed to preserve the integrity of the VHS system. The trade-off for a better picture was going to market with a new system that's not completely compatible with standard VHS recording. While an SVHS recorder can play back a standard VHS tape, one of the new SVHS tapes can't be played back on a standard VHS recorder. SVHS, in fact, requires a special type of high-magnetism tape (which can also be used for standard VHS recording).

SVHS recorders are just coming on the market; their prices—$1,000 and up—and the lack of prerecorded SVHS software militate against any quick and dramatic penetration of American homes. At press time, no software manufacturer had publicly committed itself to releasing tapes in the SVHS sub-format. But the sudden realization that video recording can provide a picture better than any broadcast TV has to offer seems to have stunned the television community. It means that Joe Consumer, armed with an SVHS camcorder and a high-quality TV set, can make a tape of Junior's birthday party that is of better technical quality—at least from the stand-

THE HEARTH

point of detail—than *The Cosby Show* or a World Series broadcast.

The TV establishment, which had responded to previous proposals for high-definition TV with a rather fishy stare, reacted with alacrity to the threat posed by SVHS. The National Association of Broadcasters, for instance, unleashed a major effort to develop the next technical generation of television. An NAB task force on the subject was blunt: "For broadcasters to remain technically competitive with other video services, it is necessary to develop a new standard of broadcast quality for delivering significantly improved pictures to the home viewer."

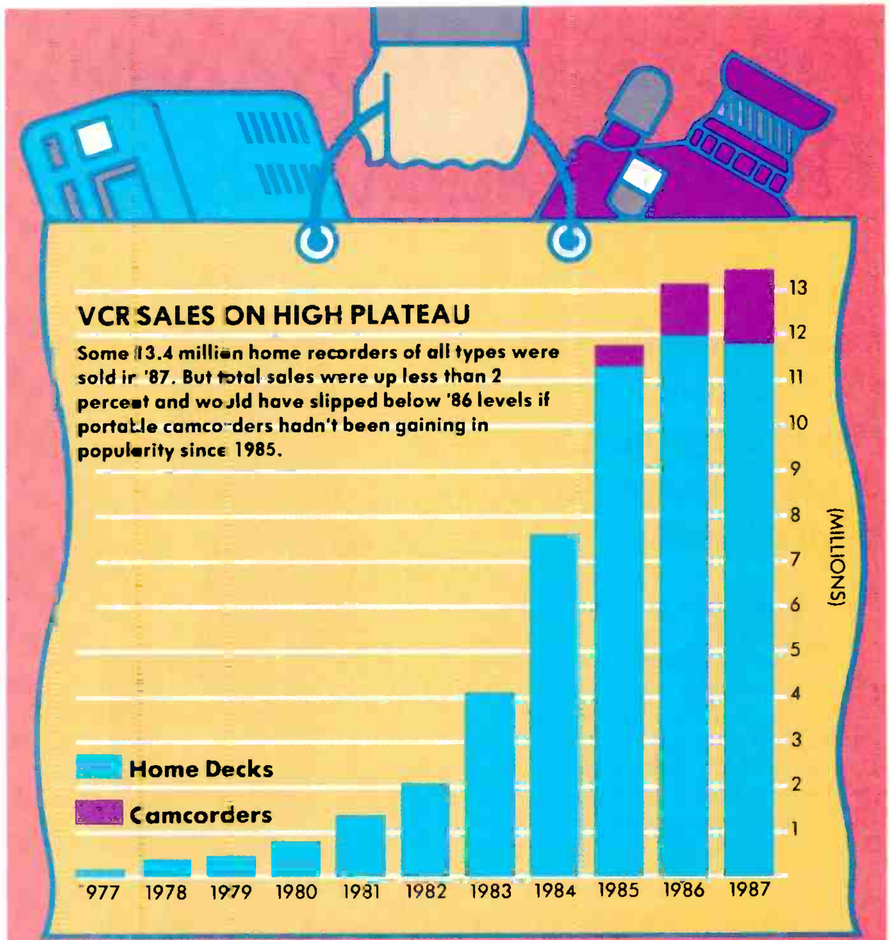
Cable TV leadership expressed the challenge even more directly. Home Box Office, in a report urging that cable take the lead in developing new technological standards, warned of the possibility that a high-definition home-video system "will be introduced into the consumer marketplace within three years . . . and we need to get involved soon, before HDTV . . . in-home delivery systems entrench themselves as an alternative to cable delivery." HBO compared high-definition TV's significance to that of color TV when it was introduced.

To realize the maximum benefits of SVHS, a consumer needs a high-quality TV receiver capable of reproducing at least 400 lines of horizontal detail, and outfitted with a special Y/C input connection. Manufacturers lost no time in making the required TV sets available and readying camcorders with pickup chips capable of accommodating SVHS's advantages.

Sony, now the sole maker of Beta-format VCRs (which account for only 1 percent of VCR sales in this country), responded to SVHS with the announcement of ED (for "extended definition") Beta, which uses metal tape, with even higher specs—and less compatibility—than SVHS.

Neither SVHS nor ED Beta is expected to set any sales records in the near future, because the VCR market is extremely price sensitive. Low-priced Korean recorders have entered the U.S. market in the last two years, taking perhaps 10 percent of sales in 1987. That new competition, together with high inventories in stores, has pushed low-end prices of standard home decks below $200. At the same time, all major VCR brands now have introduced high-priced models with hi-fi stereo or digital special effects, such as picture-in-picture (which permits the viewing of two pictures on screen simultaneously) and channel scan (which provides an on-screen layout of nine to twelve pictures, giving a sample of what is on each channel). The main advantage of digital effects, however, lies in rock-steady still pictures and extremely smooth slow motion.

DAVID HERRICK



Sources: 1977 data and 1987 estimate, *Television Digest*; 1978-1986 data, Electronic Industries Association. Camcorder sales before 1985 were negligible.

After 11 years of rapid—sometimes sensational—growth, annual VCR sales figures have stopped climbing, and for the first time, 1987 sales of stay-at-home, table-top VCR decks were expected to show a decline from the preceding year, albeit extremely slight. Annual home deck sales have leveled off on a rather high plateau of between 11 million and 12 million units per year. There's no question that the selling has become tougher, now that half of American households have equipped themselves with VCRs.

The electronics trade gets a boost from the growing phenomenon of second-VCR purchases. Estimates of sales to homes already equipped with VCRs range between 16 and 25 percent of total buys. VCRs dating from the first wave of purchases—say, the 3.3 million bought between 1975 and 1982—are candidates for replacement, and some consumers are buying two machines so they can dub recordings from one to the other.

Home deck sales may have cooled, but total VCR sales were expected to rise slightly in 1987 over '86, thanks to the camcorder. These combination camera-recorders come in three flavors—full-sized VHS, compact VHS ("VHS-C," which records for 20 or 60 minutes on a miniature cassette that can be played with an adapter in a standard VHS recorder) and 8-millimeter. Despite disadvantages in weight and size, the full-size VHS camcorders still easily outsell those of the two miniature formats. Camcorder sales more than doubled from 1985 to 1986 and were expected to increase by another 40 percent in '87. They already exceed the sales that home-movie film outfits racked up in their biggest year, despite video equipment's higher costs. But camcorder sales are expected to level off somewhere near 3 million a year within the next two years.

The camcorder introduces a new dimension to video—one that requires active participation, and in a period when magazines are celebrating the Couch Potato lifestyle home videography isn't expected to become a preoccupation of the majority of Americans. But at more than 50 percent penetration, the VCR is now firmly entrenched as a home-entertainment and information medium.

DAVID LACHENBRUCH

This Year's Buzzword: Digital, Digital, Digital

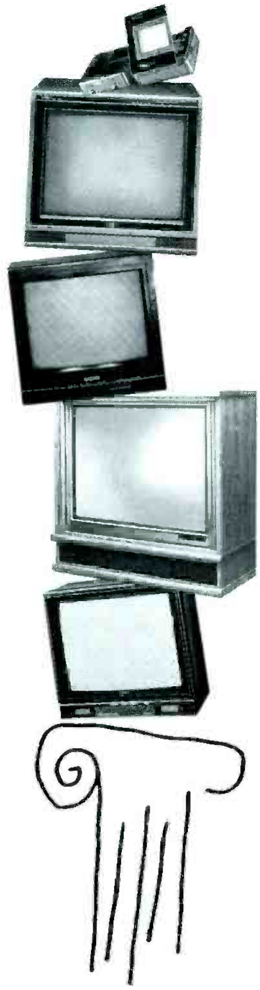
It's the most overworked word in the electronic vocabulary, but true digital sets are yet to be marketed

Faced with a slowdown in sales of color TV sets, the bread-and-butter product of the consumer-electronics business, with 18.3 million sold in 1987, manufacturers are reaching into the exalted regions of new and improved TV technologies to boost their profits. They know well that high-end video products are escaping the worst of the discounting that has cut into profit margins in the making and retailing of electronics.

The year's hottest tickets ran the gamut from the oversized to the tiny. Much of the video thunder was stolen by big-screen TVs, from the new generation of mammoth rear-projection sets with greatly improved picture quality to the direct-view TVs in sizes up to 35 inches. At the other end of the size spectrum were the handheld LCD color TVs, enhanced in color and brightness in an effort to upgrade them from toys.

In sales pitches for the more expensive TV receivers, the year's foremost buzzword was "digital." Indeed, digital video has the potential to revolutionize sets, but for now it's the most overworked adjective in the electronics vocabulary. Fully digital sets that convert the analog broadcast signal to digital code for image manipulation and display some day will give us pictures of unprecedented quality, a variety of self-diagnostic features and full compatibility between various world broadcast standards.

But that's all in the future. Most so-called digital TVs now on the market use the circuitry merely for splashy special effects, such as picture-in-picture, in which images from one channel or source (tape, tuner or camera) are superimposed on another picture. But a new line of Toshiba "noninterlaced" sets uses digital processing to display a denser (though not higher-definition) picture—doubling the number of scanning lines illuminated in one sweep of the picture tube's electron beam.



Picture quality—and price—are exalted in a new generation of TV sets promoted under the name "monitor/receivers."

Merchandisers seeking higher profit margins have struck their strongest chord so far with the "monitor/receiver." This snazzy moniker is trotted out for a wide range of high-end TV configurations, but a consensus has been reached after years of confusion: Most consumer TV monitors now include direct video inputs in addition to a standard RF (antenna) jack, comb filtering and, most importantly, *at least* 300 lines of horizontal resolution. (This technical measure is not the same as scanning lines. See "resolution" in glossary.)

Indeed, set makers are having the equivalent of Detroit's old horsepower race. Sony and Panasonic now have top-of-the-line models touting *better* than 500 lines of resolution, and at least one manufacturer unveiled a big-screen TV with 600 lines—closing the once monumental gap between home sets and those needed in studio work. For the consumer, the need for boosted resolution is cloudier since broadcast reception tops out at 330 lines of horizontal resolution, counting across the screen, and most VCRs deliver around 240 lines.

With high-definition broadcasts years away, it might seem difficult to justify a costly, high-resolution home TV monitor. But the new Super-VHS VCRs will need such capable monitors to show off their reported 420 lines of horizontal resolution. To get the full Super-VHS picture, the monitors will also have to be "Y/C-equipped" models; they have separate inputs for the color and brightness components of the picture coming from the VCR.

A pitched battle is underway between the two basic methods of putting a huge picture on a screen—direct-view and rear-screen projection. The giant direct-view sets are the new guys on the block, and their price tags are hefty—generally $3,000 and up. Mitsubishi and Matsushita have both introduced direct-view sets in Japan in sizes of 40 inches and 41 inches, respectively.

Meanwhile, projection TV has been finding buyers with its larger screen sizes, lower prices and pictures that approach the brightness and color density of direct-view sets. To keep ahead of the ballooning picture tubes in direct-view sets, projection sets are also becoming monumental in size; market leader Mitsubishi has shown a prototype of a 60-inch rear-projection model.

Now that advanced video consumers may have separate components receiving and displaying the picture and amplifying the TV stereo sound, they can be persuaded to buy one of the proliferating "universal" remote controls. Capable of memorizing the different impulses of infrared light used to control the TV set and the VCR, for instance, it can control both and cut down on coffee-table clutter and consumer confusion. Just the remedy for progress in the video age.

JAMES KAMINSKY

Without a Studio Partner, A Hit is Hard to Find

With more major film studios starting video labels, indies are venturing deeper into making as well as distributing movies

INSTANT CHARTBUSTERS

Three videocassette titles of the all-time top 10 best-sellers (to wholesalers) jumped right to the top of the chart on their maiden shipments this fall: *Top Gun, Lady and the Tramp* and *Star Trek IV.* Hit movies dominate the list—and the whole industry. Notably, all but two were initially priced for sell-through below $40. Still, many films debut on video at high prices (closing in on $100) before being repriced, months later, for wider sale.

All-time best-selling videocassettes	Publisher	Unit sales (MIL.)	Dollar sales (MIL.)	Release date
1. Top Gun	Paramount	2.8	$45.2	9/87
2. Lady and the Tramp	Disney	2.0	35.9	9/87
3. Sleeping Beauty	Disney	1.8	32.3	10/86
4. Beverly Hills Cop	Paramount	1.6	28.8	10/85
5. Star Trek IV	Paramount	1.6	28.8	9/87
6. Indiana Jones and the Temple of Doom	Paramount	1.35	24.3	11/86
7. Raiders of the Lost Ark	Paramount	1.25	20.7	12/83
8. Jane Fonda's Workout	Lorimar	.85	30.6	4/82
9. Ghostbusters	RCA/Columbia	.80	26.8	1/86
10. VCR Clue	Parker Bros.	.80	19.2	5/85

Source: estimates by *Video Marketing*, September 1987

In prerecorded video, the trends are clear: The strong publishers get stronger, and the small get more specialized. The videocassette industry's "hits" orientation is playing right into the hands of the major studios and the stronger independents, forcing would-be players to both produce and distribute their wares. Smaller producers are launching video labels and smaller distributors are making their own films.

Not long ago it seemed just about anyone could put almost anything on cassette and sell enough to make money. Not anymore. The number of cassettes sold at wholesale in 1987 may be up more than 50 percent over the 1986 total, to almost 129 million tapes, but the industry consensus is that unit volume will grow less than 20 percent a year, on average, for the rest of the '80s—and that pricing pressures will keep the dollar growth even lower. The industry expects unit sales to grow more slowly as the annual influx of rental-hungry new VCR owners settles down and the number of rental shops stabilizes.

With fewer rental shops opening, publishers are selling fewer copies of the secondary titles that fill a store's shelves. Instead, shops need the films with wide, recent theatrical release, known as "A" titles—in quantities to satisfy peak consumer demand six to eight weeks following release.

The Hollywood studio-affiliated home-video operations, of course, have a steady supply of "A" titles, but the independents, such as Vestron, Nelson Entertainment and Media Home Entertainment, are finding their market for secondary titles ("B"s and "C"s) shrinking. Video indies are also finding fewer "A" titles up for bidding. Both Orion Pictures and Tri-Star started distributing their own films on cassette in 1987 and other important producers have sold off long-term cassette rights for as much as 30 to 40 percent of their films' expected production budgets.

With fewer "A" titles on the open market, the prices being asked for home-video rights, when available, are intimidating. Unable to achieve a healthy return on video rights alone, some bid for expanded rights. When Nelson bought Embassy Home Entertainment from Coca-Cola in 1986, the companies agreed to share the financing and profits of six movies, and split the distribution—Nelson has them on cassette and in theaters abroad. Vestron charged into theatrical distribution by creating Vestron Films, which piqued the interest of Wall Street, as well as many fans, with its first general release, *Dirty Dancing.* But as logical as these moves may seem, filmmaking is a gamble with an immensely larger downside than exists in selling tapes of others' productions.

Several publishers cover their rising costs by selling ads on their tapes, often in exchange for cross-promotion. Such ads are common on special-interest tapes, but Paramount's *Top Gun* (which opens with a Diet Pepsi spot) was the first movie cassette to contain a commercial.

With major home-video companies focusing on hit movies and scrutinizing their return on investment, special-interest video is falling through the cracks. Major studios, in fact, are all but ignoring the field. Even Lorimar Home Video, once the champion of nontheatrical tapes, has found they aren't "as financially successful as we would have liked," Lorimar CEO Jerry Gottlieb told *Video Marketing.* The firm is backing away from special-interest video—with the exception of the *Jane Fonda Workout* series, now in its fifth sequel with more than 2.5 million copies sold.

The departure of the major players from special-interest cassettes may frighten away investors and reduce credibility among retailers. But with the majors out chasing after best-sellers, home video's niche publishers will home in on special-interest markets where volume isn't everything. And perhaps make a small-scale killing.

PAUL SWEETING AND IRA MAYER

There's Many a Way to Get That $2.25 a Night

In the saturated rental field, mom and pop face the big-volume chains and convenience-store hitmeisters

The neighborhood video-rental shop, typically a few harried clerks beset by a mob of overstimulated customers, is increasingly hard pressed by forces beyond the crowded storefront. Squeezed on one hand by consolidation among the major video chains and on the other by convenience stores, supermarkets and other outlets, the so-called mom-and-pop operation appears to be a dying breed.

Hundreds, perhaps thousands, of shops failed during the past year, including, for example, some 120 franchisees of the National Video chain. Yet the shakeout hasn't reduced the total number of video rental stores, which has hovered between 24,000 and 27,000 for the last several years. The single-store operator that did go under in 1987 was almost instantly replaced by a chain store seeking to become the neighborhood's official outpost of Hollywood. Chains, including such independents as Erol's and Tower Video and franchises such as National Video, had 36 percent of all video specialty stores in 1987, according to *Video Store* magazine, and many chains were growing.

Consider the Almi Group, which built its video empire by picking up first the RKO Warner Theaters video-store chain and then the 19-store Video Shack. Almi next consumed Adventureland, a franchisor with about 500 stores nationwide, but was rebuffed in a bid for National Video, which boasts 600 stores.

Why this concerted push for size? The industry is maturing, and players are going for market share. They're looking for buying power, which comes down to the prices they pay for cassettes, the time they're given to pay bills, the percentage of unsold or unused tapes they can return and the efficiencies of national advertising. And on those counts the video specialists are up against nonspecialist stores that devote only a single counter to video.

By most estimates, there are roughly 60,000 convenience stores in the U.S. Perhaps one in three has at least experimented with prerecorded video, and more do so every month. A new breed of rack jobber has come along to make it easy to get into video. Jobbers such as Stars-To-Go, based in Los Angeles, and CEVAXS, based in Vancouver, B.C., install and operate video-rental centers in convenience stores, sometimes paying rent to the stores and in other cases collecting a percentage of the stores' video revenues. Stars-to-Go, for example, was operating about 5,800 outlets in various chains late in the year and CEVAX had Rent-A-Movie centers in more than 7,000, including 4,500 MovieQuik video-rental centers in 7-Eleven stores.

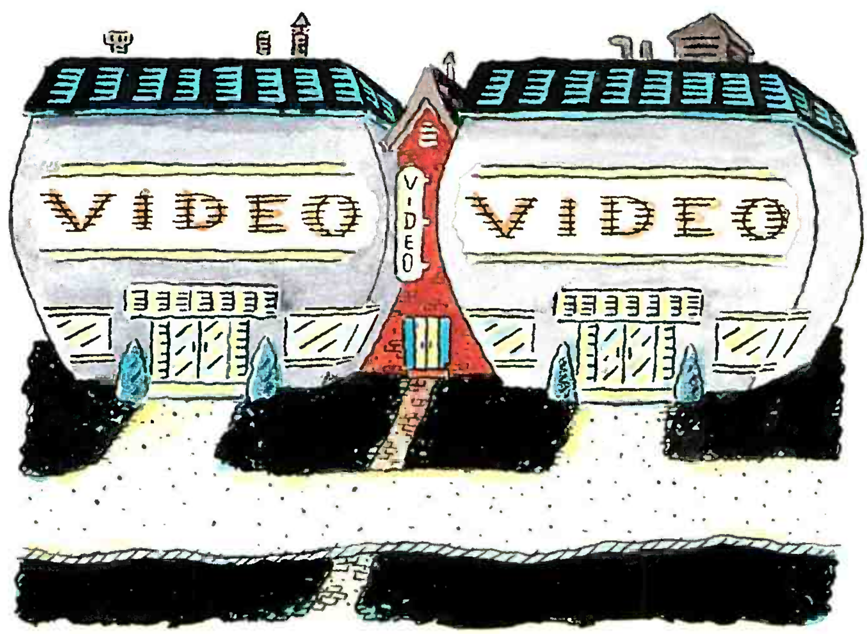
Besides the sheer size of these chains, their "hits" specialization makes them formidable competitors. Surveys suggest that rental consumers can't find their first-choice tape at least half of the time; rental shops can't afford to stock enough copies of a hit to satisfy peak demand, which comes six to eight weeks after release. Shops must balance their monthly purchases of hits with lesser-known fare that will have a long shelf life—they know that a broad library, typically 3,000 to 5,000 titles, draws their customers.

In contrast, convenience stores and other nonspecialists typically stock just 200 to 500 titles. They count on heavy traffic and low prices to stimulate impulse rentals. Convenience stores also tend to charge low fees—99 cents to $1.99, compared with the $2.25 average for all outlets.

Convenience-store jobbers have expanded rapidly since mid-1986, but few industry observers believe there's room for tens of thousands of additional cassette outlets. And video rentals are a labor-intensive, low-margin business—contrary to the norm for convenience stores. Video vending machines have been promised as an answer to the high labor costs, but despite entrepreneurs' visions of 50,000 machines operating by 1990, only a few hundred have been installed in the last three years. To use one, the consumer inserts a credit card and chooses a tape from several hundred offered; fees are charged to the credit card.

Plagued with technical and inventory problems, the machines so far aren't much of a threat to the clerks at the local shop. For all the competition, the neighborhood video shop isn't really dying at all. Its operator, however, must learn to make it a better business—or someone else will.

IRA MAYER AND PAUL SWEETING



BACHRUN LOMELE

Muddy Waters in Laser Land: New Formats Take the Plunge

The success of audio compact discs has created a stampede of spin-offs, merging sight, sound and more on ever-smaller discs

Variations on a technology: New formats combine audio and video on optical discs.

Consumers have every right to be confused. They had come to know the big 12-inch iridescent optical discs that play back enviable pictures, and then many went wild over the little five-inch discs that capture remarkable sound. And now, with media companies trying to piggyback on that success, the public faces an alphabet soup of related disc formats: CD-V, CD-I, CD-ROM, mini-CD, DVI and ICVD. All are variations on the same technology, which uses a laser beam to read sound, visuals and other information from the surface of a shiny metalized disc.

The compact (audio) disc—the basic CD—continues its dazzling climb in popularity, with 112 million of the five-inch discs sold in the U.S. during the past year, by estimate of the market-research firm Investext. That's double 1986 CD sales. And sales of CD players are expected to grow from 4 million in 1987 to 5 million in '88, according to the Electronic Industries Association (EIA). Disc-pressing capacity has finally surpassed demand, eliminating supply shortages and causing manufacturing prices to drop to as little as $1.25. With costs that low, recording companies may be able to bring retail prices to under $10—the price manufacturers believe will attract young record buyers.

Hoping to ride the CD bandwagon, Dutch giant N.V. Philips launched a new Compact Disc-Video format late in '87. CD-V discs, which are the same size as audio-only CDs, offer 20 minutes of digital audio plus five minutes of video. The first of the new CD-V players, which can also play standard CDs and larger videodiscs, are already in stores.

While CD-Vs serve up video in a new, smaller size, there's also a move to put out audio-only discs in a smaller format. Sony's Digital Audio Disc Corp. has begun shipping promotional copies of three-inch CD singles that hold 20 minutes of digital audio and play on all standard players (some require a snap-on adapter).

The publicity about CD-V, meanwhile, is helping sales of Laservision videodiscs. Pioneer recently doubled the pressing capacity of its California plant to 4.2 million videodiscs a year. About 220,000 players were sold domestically in '87, EIA has estimated. Some 2,000 titles are now available on videodisc, 200 of them with digital sound tracks. In addition to consumer uses, 140,000 videodisc players are used in marketing, training and other industrial roles.

The data version of the compact disc, CD-ROM (for Read Only Memory), after barely three years on the market, is also making inroads in business settings. With a storage capacity equal to 300,000 pages of text, the disc has begun to compete with on-line services in delivering large databases. Approximately 125 titles are already available.

The most ambitious new format, Compact Disc Interactive, is expected to debut late in '88. CD-I users will plug an add-on microprocessor and joystick into their disc players to get interactive games and educational programs featuring high-resolution video stills, partial screen motion, graphics, animation and text with digital stereo sound. Philips subsidiary American Interactive Media plans to release such titles as *A Young Person's Guide to the Opera* and an electronic version of the board game Clue.

Prominent record producer and president of The Record Group Stan Cornyn, who has dived into developing discs for CD-I, says the adapter necessary to convert a CD-V player for interactive use will probably hit the market priced at about $1,000, but will sell for half that price within a short time. The prospects are so appealing that toy-maker Mattel Inc. plans to launch yet another format called Interactive Compact Videodisc (ICVD) late in '88. And General Electric has announced plans to develop a consumer product around its Digital Video Interactive technology, which compresses up to an hour of full-motion digital video on a single-sided CD-ROM. Consumers will have to wait until 1989 for that one.

ROCKLEY L. MILLER

Meaning Behind the Buzzwords

Above-the-line costs: production costs related to story and script, producer, director and stars. The program's other costs are "below-the-line."

Addressability: remote control function of sophisticated equipment that allows a cable operator to activate, disconnect or unscramble the signal received by an individual subscriber.

Ad hoc networks: a temporary grouping of stations to carry a specific program.

ADI: Area of Dominant Influence, the Arbitron Ratings Company's term for the region in which local stations' signals are dominant (similar to DMA).

Affiliate: a broadcast station not owned by a network but using its programs and commercials.

Ancillary markets: secondary sales targets for a program that has completed its first run(s) on its initial delivery medium.

Aspect ratio: the ratio of a screen's width to its height. Today's TV tubes have a 4:3 ratio. High-definition television (HDTV) tubes have a ratio of about 5:3.

Back-end: see "ancillary markets."

Barter syndication: a program distribution method in which the syndicator retains and sells a portion of the advertising time. In "cash plus barter," the syndicator also receives some money from the station on which the program airs.

Basic cable: channels received by cable subscribers at no extra charge, usually supported by advertising and small per-subscriber fees paid by cable operators.

Beta: a consumer videocassette format employing half-inch tape like the VHS cassette, but less widely used.

Break-up value: or private market value, the estimated worth of a company when its assets are sold.

Camcorder: video camera and recorder combined in one unit.

Cash flow: cash in minus cash out, as opposed to accrual accounting. A company's expenses and the taxes it has paid have been subtracted from incoming cash, but depreciation, amortization and other noncash charges have not.

C-band: the range of frequencies from 4 to 6 gigaHertz (billion cycles per second) used by most communications satellites.

CD: Compact Disc, a five-inch record on which a digital audio signal is pressed so that it can be read optically by a laser beam. Variations include the CD-ROM (CD-Read Only Memory) for computer data and the CD-I (CD-Interactive) for data, visuals and sound.

Chapter 11: part of federal bankruptcy law, permitting a bankrupt company to continue operations under court supervision while protecting it from full demands of creditors.

Churn: a cable industry rate based on a formula that takes account of subscriber connects, disconnects, upgrades and downgrades.

Closed captions: a form of teletext for hearing-impaired viewers that superimposes subtitles on programs and requires special decoders for reception. In contrast, "open captions" appear on all sets.

Common carrier: the FCC's class of transmission systems, such as telephone, telegraph and certain satellites, open to public use at uniform fees and generally not permitted to control content.

Comparative renewal: FCC process allowing for renewal or transfer of a broadcast station's license after its term has expired, in response to petitions against the license.

Compulsory license: the right of cable systems and certain other delivery media to use copyrighted material (such as programs on a superstation) for a governmentally set fee, without negotiating a price.

Copyright Royalty Tribunal: the small federal agency that divvies out royalties from a compulsory license.

CPM: advertisers' cost per thousand viewers exposed to a commercial.

DAT: Digital Audio Tape, a new audio cassette format available in Japan but not yet exported to America.

DBS: Direct Broadcast Satellite, which transmits TV signals directly to dishes at viewers' homes. Usually a high-powered satellite that requires only small dishes.

Dish: satellite antenna or earth station.

DMA: Designated Market Area, a local viewing region defined by Nielsen Media Research, similar to ADI.

Downlink: to receive from a satellite; also, the dish used for reception.

Equal Time: the FCC's Equal Opportunities Rule: If a station gives or sells airtime to one candidate for public office, it must offer equivalent time to other candidates for the office. News shows are exempt.

Fairness Doctrine: the rule repealed by the FCC last August that required broadcasters to devote airtime to important controversial issues and to air contrasting views on those issues.

Financial Interest and Syndication Rules: FCC regulations forbidding networks from owning interest in or syndicating most programming they carry.

First-run syndication: distribution of programs produced for initial release on stations contracting with the syndicator. Compare "off-network syndication."

Franchise: in cable TV, a license granted by the local government to provide cable service. Cities usually exclude competing cable systems, but franchise exclusivity is under legal attack.

Headend: a cable TV system's control center where incoming signals (from satellites and other sources) are put on outgoing channels.

Hertz: cycles per second; a measure of electromagnetic frequency that represents the number of complete electrical waves in a second. One kiloHertz (kHz) is one thousand cycles per second; one megaHertz (mHz) is one million; one gigaHertz (gHz) is one billion.

High-definition TV: various technical systems providing a finer and wider TV picture, usually with twice as many scanning lines as standard TV.

HUT: percentage of TV homes with one or more sets in use at a given time.

Indie: independent, as in independent producer (not affiliated with a major studio) or independent TV station (not affiliated with or owned by a network).

Initial public offering: a company's first sale of stock to the general public.

Impulse pay per view: viewers' last-minute ordering of PPV programs, similar to "impulse shopping."

ITFS: Instructional Television Fixed Service, a TV delivery service by line-of-sight microwave that the FCC licenses to educational institutions.

Junk bonds: means of borrowing that have high yields and higher than normal risk; a key acquisition-financing tool developed by Drexel Burnham Lambert.

Ku-band: the range of frequencies between 11 and 14 gigaHertz (billions of cycles per second), used increasingly by communications satellites.

Leveraged buyout: acquisition of a company, usually by its management, in which the buyers borrow against the company's assets.

Limited partnership: investment vehicles with substantial tax benefits; often used in TV and film production, in which the limited partners' liability is confined to the amount of capital they contribute. The venture is managed by a general partner. Ownership is sold in blocks of large denomination.

Low-power TV: TV stations licensed by the FCC to use low transmitter power, usually in areas where a full-power signal would interfere with other stations using the same channel.

Major market: one of the 100 largest metro areas in numbers of TV households.

MSO: Multiple System Operator, a company that operates more than one cable TV system.

MMDS: Multichannel Multipoint Distribution Service, a TV delivery system using line-of-sight microwave with four or more channels operated by a single company, often called "wireless cable." Similar to ITFS.

Must-Carry Rule: an FCC requirement that a cable system carry certain qualified local over-the-air TV stations.

Narrowcasting: aiming programs at a nongeneral audience.

Network: a program distributor interconnected with stations under different ownership for simultaneous broadcast. An FCC definition says a network distributes at least 15 hours of programming a week to at least 25 affiliates in at least 10 states.

Network compensation: networks' payments to affiliated stations for airing network programs and commercials.

Off-network series: former network programs now syndicated.

Optical discs: recording media including CDs and videodiscs that store information in patterns of microscopic pits, which can be detected by a low-power laser beam and reproduced as sound, images or computer data.

Overbuild: a cable system built where another firm already has one.

Pay cable: program services supported by optional extra subscriber fees.

Pay per view: programs purchased by subscribers on a per-program rather than per-month basis.

People meter: an "electronic diary" now used by ratings services to record demographic viewer data (sample viewers push buttons to identify themselves) as well as the channel tuning data that earlier meters collected.

Penetration: in a given population, the percentage of households using a product or receiving a service.

Pod: the group of commercials and announcements in a break during programming.

Preemption: replacing a network show with another program, a station practice frowned upon by networks.

Prime time: in practice, the three evening hours (four on Sunday) programmed by the broadcast networks: 8 to 11 P.M. Eastern or Pacific Time, and 7 to 10 P.M. Central or Mountain Time, Monday through Saturday, starting an hour earlier on Sunday. On the other six days, the Prime Time Access Rule has, in effect, created a separate period called "prime access."

Prime Time Access Rule: an FCC rule forbidding network affiliates from carrying more than three hours of network programs and off-network reruns (with some exceptions) in the four hours starting at 7 E.T.

PUT: Persons Using Television, the percentage of persons in TV households using sets at one time.

Rating: estimated percentage of TV households (or other specified group) tuned to a program at once.

Reach: percentage of audience exposed to an ad or program in a given period.

Rep firm: or station representative, a company that sells time on local stations ("spot time") to national advertisers.

Resolution: measure of a picture's detail; horizontal lines of resolution in TV are counted across the screen (in a test pattern) and vertical resolution, from top to bottom.

SCA: Subsidiary Communications Authorization, FCC permission to use subcarriers of an FM (or other) channel to piggyback other material such as readings for the blind and computer data transmissions.

Scatter market: unsold national ad time that remains after the preseason "up-front" buying period.

SAP: Separate Audio Program, an audio channel that can be received by new stereo TV sets and used for a second soundtrack.

Scrambling: altering a TV transmission so it can't be properly received without an operating decoder.

Share: estimated percentage of "HUTs" watching a program. Compare to "rating."

SMATV: Satellite Master Antenna Television, or "private cable," a miniature cable system that receives programming by satellite and serves a housing complex or hotel.

Spot time: commercial advertising on a local station purchased from the station or a rep firm.

Stripping: scheduling a program (usually syndicated) at the same hour every day or every weekday.

STV: Subscription TV, a broadcast TV station that transmits a scrambled signal for reception by paying viewers who own special decoders.

Superstation: a local TV station whose signal is satellite delivered to cable systems across the country.

Syndicated Exclusivity Rule: "syndex," a former FCC rule, considered for a comeback, that required a cable system bringing in distant signals to black out syndicated programming (usually on superstations) for which a local broadcaster owns exclusive rights.

Teletext: broadcast of text and graphics along with a TV signal for reception on specially equipped sets.

Tender offer: a public offer to shareholders to buy their stock, often used in hostile takeovers.

Tiering: combining cable channels, sometimes both basic and pay, to sell at a package price.

Transponder: a satellite component that receives and retransmits a TV signal or perhaps many narrower-band data channels.

TVRO: Television Receive Only, a satellite receiving antenna, also known as a downlink or a backyard dish.

UHF: Ultra High Frequency, the band including TV channels 14 through 83.

Up-front market: preseason purchasing of network (or barter-syndication) commercial time adjacent to specific programs.

Uplink: to transmit to a satellite for relay; also, the dish used to transmit.

Universe: the population (for example, all households, or all women 25-54) within which a rating is figured.

VBI: Vertical Blanking Interval, 21 lines in the TV picture not used to carry video. Some are used to control the TV receiver and others can carry teletext.

VHF: Very High Frequency, the band including TV channels 2 through 13, which are more powerful than UHF channels.

VHS: Video Home System, the leading consumer videocassette format. Like Beta, VHS uses half-inch tape.

Videotex: an interactive service connecting a TV set and decoder by phone lines or cable TV to a central computer, providing textual information on demand and various transactional services.

Window: the period during which a network or other distributor has contractual rights to show a program.

Zapping: changing the channel by remote control to avoid a commercial.

Zipping: fast-forwarding through commercials when playing back a program on a VCR.

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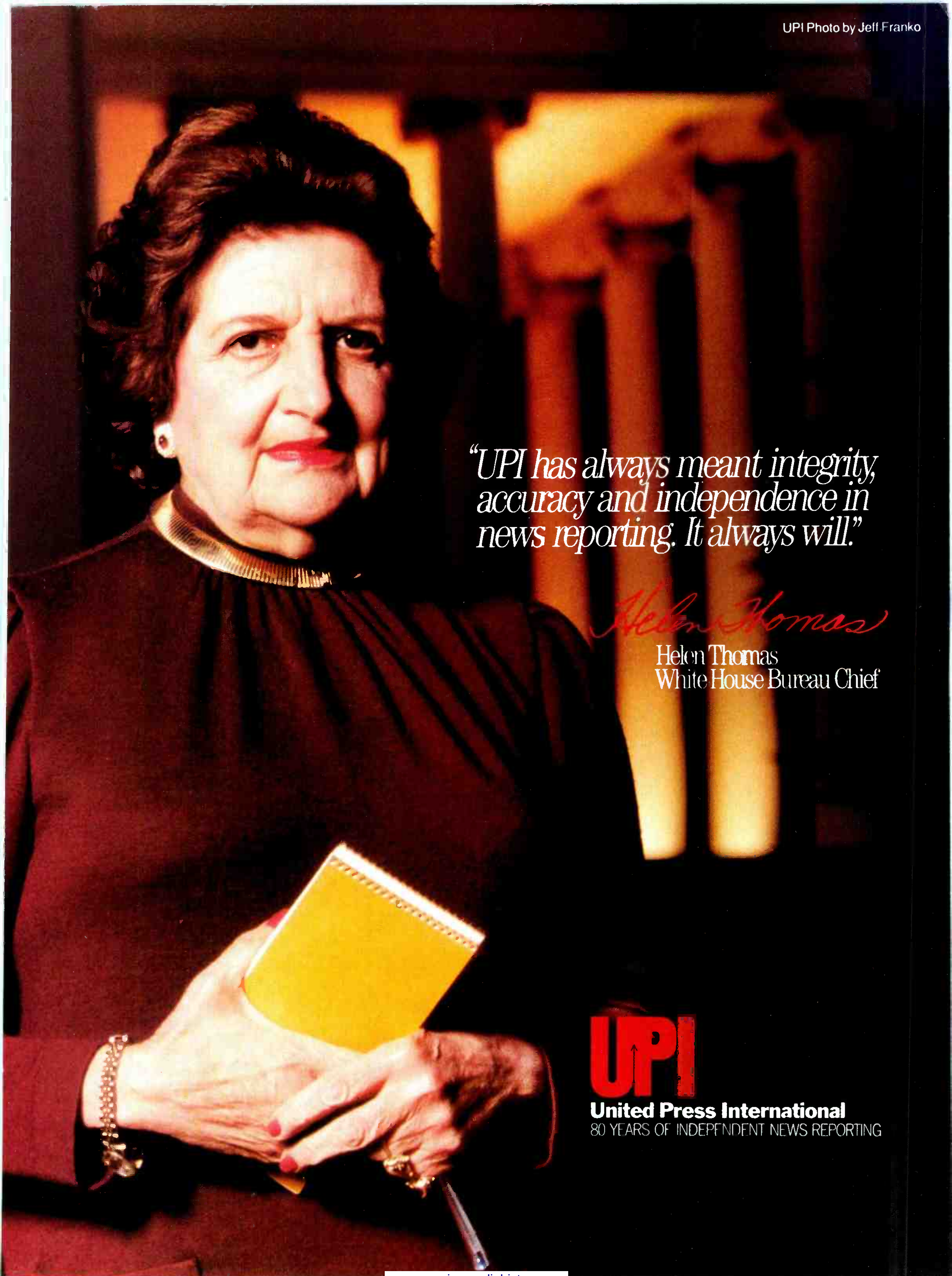
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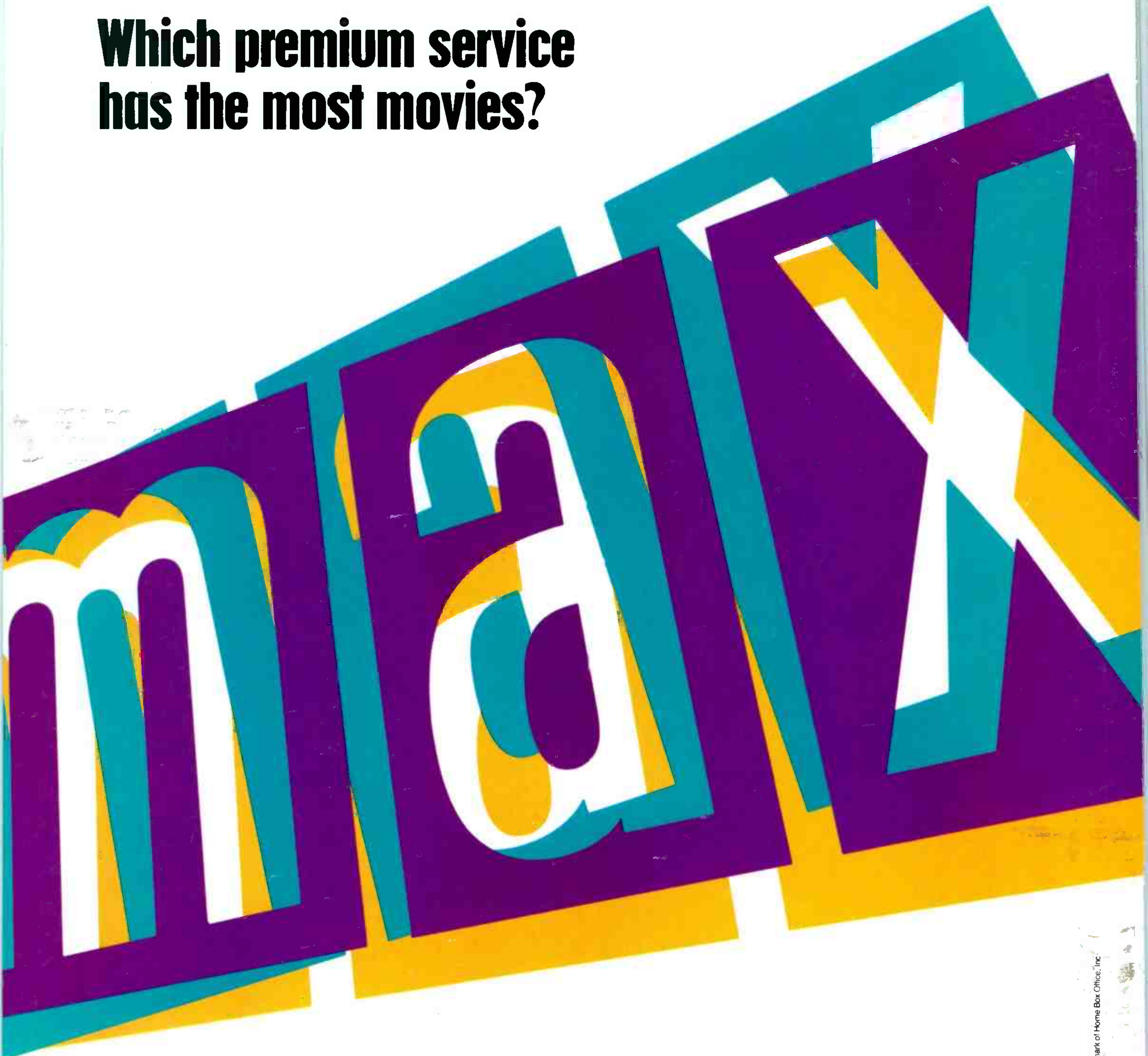

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