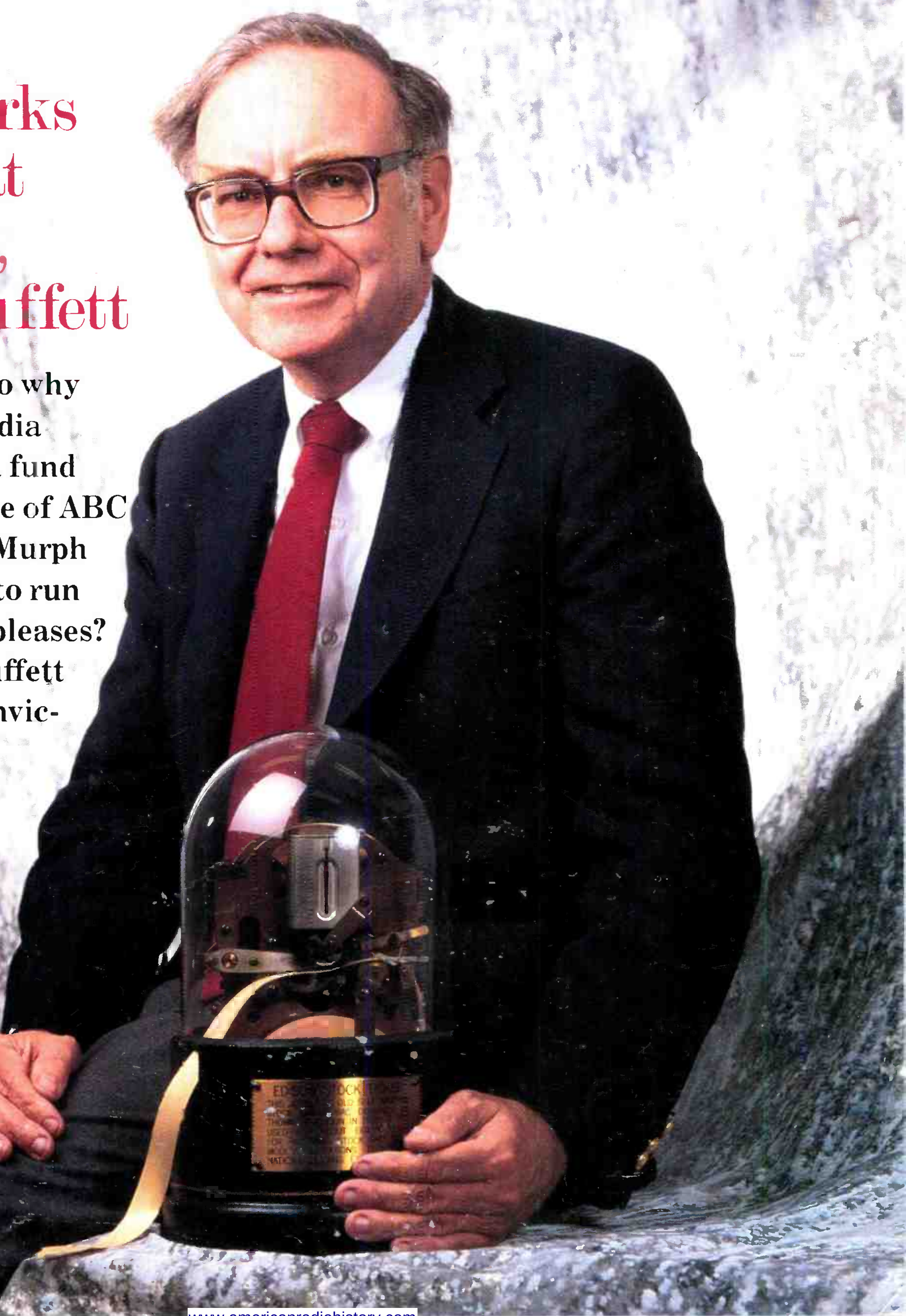
FOCUS: The Battle for Ad Dollars

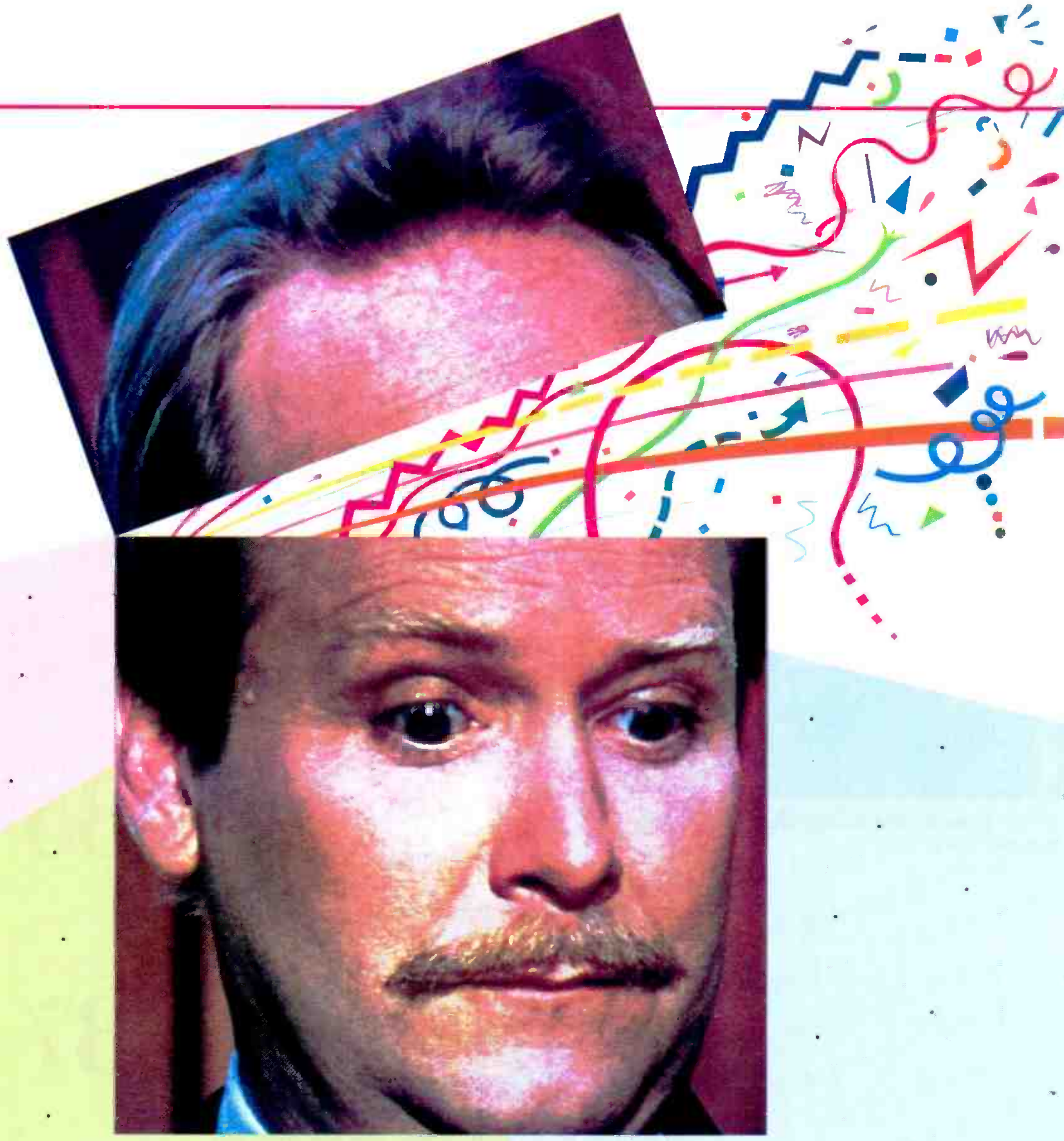
CHANNELS

$2.95 THE BUSINESS OF COMMUNICATIONS NOVEMBER 1986

The networks aren't great businesses, Warren Buffett concedes.

So why did the canniest media investor in America fund Cap Cities' purchase of ABC and give his friend Murph unlimited freedom to run the company as he pleases? Because Warren Buffett has some strong convictions about what ... ught to do.





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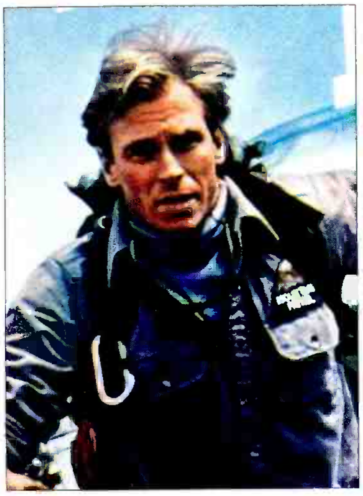
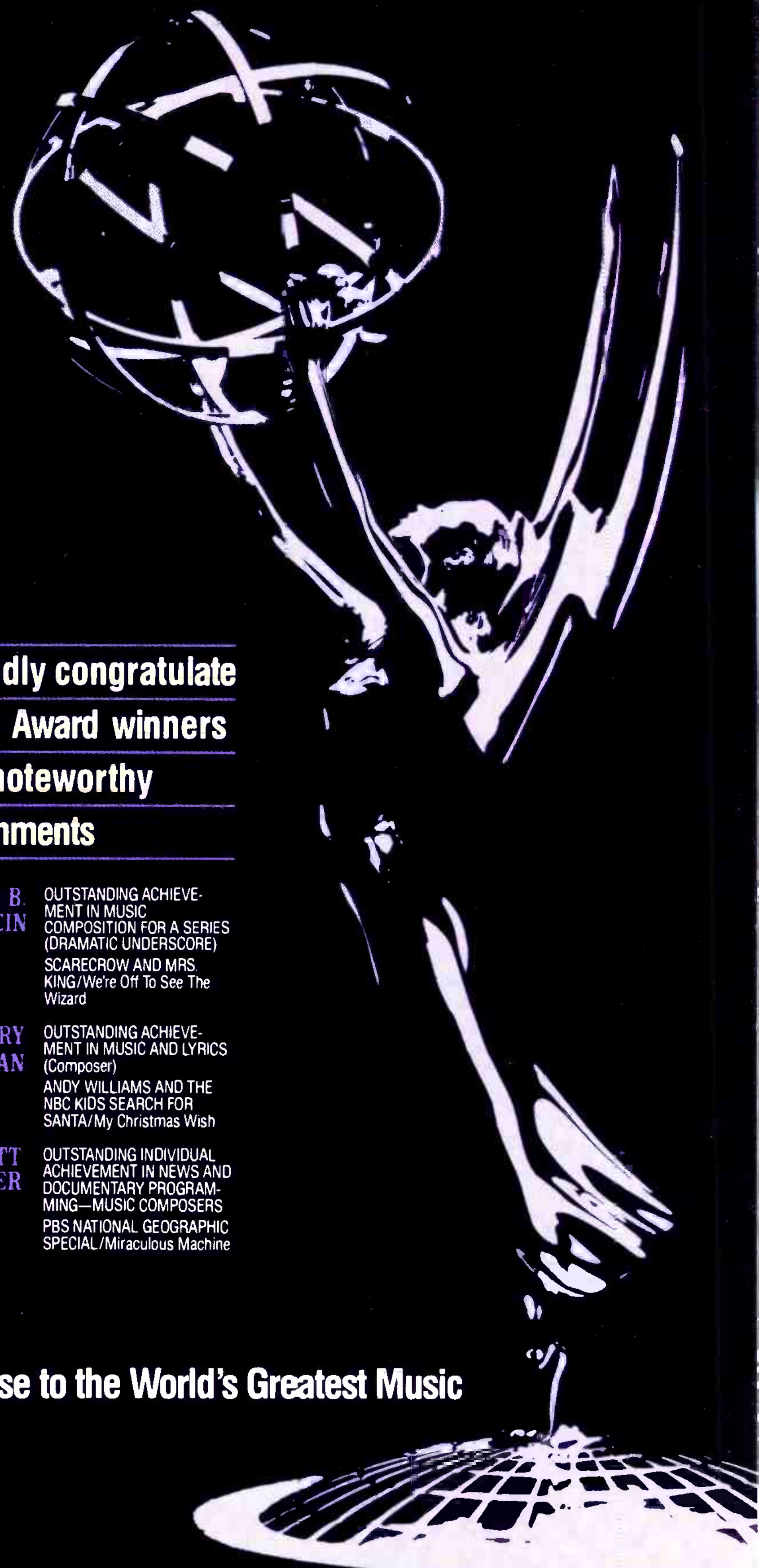
CHANNELS
THE BUSINESS OF COMMUNICATIONS
VOL. 6, NO. 7 NOVEMBER 1986



30 What does it take to launch a new face?

Cover photo: Bonnie Schiffman

BMI APPLAUDS



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SCARECROW AND MRS. KING/We're Off To See The Wizard

LARRY GROSSMAN — OUTSTANDING ACHIEVEMENT IN MUSIC AND LYRICS (Composer)
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PUBLISHER'S NOTE

An Authority to Rely On

As we keep reminding you, the business of communications is changing fast. For the networks, especially, this has been a year to remember. What with mergers, takeover attempts, huge leveraged buyouts and a dramatic board meeting culminating in the ouster of a chairman, television itself has been making a sizable amount of the news it reports.

Events are moving so swiftly, in fact, and involve considerations of such complexity, it's no wonder that even people in the business of communications are having a hard time keeping up with all the players, their agendas and the implications of the monumental changes taking place.

That's why so many reporters and commentators on television and in print have been turning with increasing frequency to a source they can trust to make sense of what is happening in their own backyards. Modesty does not forbid me from observing that the source is *Channels*.

A recent demonstration of this fact took place earlier this fall, around the time of CBS' historic board meeting. The day before a visibly shaken Dan Rather told the nation that chairman Thomas Wyman was out, and that former chairman William S. Paley and chief investor Laurence Tisch would temporarily run the show at Black Rock, *Channels* executive editor Merrill Brown was predicting on the Financial News Network that Wyman would not last the term, and explained why this was so. Then, hours after events came to a head, Merrill was back on television—this time on the 11 o'clock news at CBS' New York affiliate, WCBS-TV, interpreting the monumental shake-up.

The next day, our editor-in-chief, Les Brown, who has been closely following the goings-on at CBS, lent his perspective to *U.S. News & World Report, The Hartford Courant* and *The Los Angeles Times*. Later that afternoon, Les appeared on *Live at Five* and the early evening news program on New York's NBC station, WNBC-TV, and, finally, on the *CBS Evening News* with Dan Rather. Merrill, meanwhile, spent a quarter of an hour analyzing matters on *The MacNeil/Lehrer NewsHour*, where he broke the story, quickly picked up by the Associated Press, that the final nail in chairman Wyman's coffin was his proposal to the board that the company be sold to Coca-Cola.

The point of my recapping all this is to remind you of *Channels'* nationally recognized authority in the business of communications—and to suggest that readers of this magazine are privy to that same authority when trying to understand all that is happening in our complex electronic environment.

George M Dillehay

CHANNELS
THE BUSINESS OF COMMUNICATIONS

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ABC membership applied for January 1986.

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LETTERS

The Real Thing

Although there are a number of things in "The Coke Machine" [September] with which I might quibble, I thought on balance it was a creditable job.

Among my minor complaints is the cover caption, which presents us in an arrogant way: "They think they've got a sure-fire formula for TV success." In fact, none of us here thinks we have a sure formula for success.

But my major problem with the story is the following: "Indeed, Vincent may have welcomed the Coke takeover because it diluted the influence of Herbert Allen, a cool, secretive banker who is still chairman of the compensation committee of the Coke board and is highly regarded by Atlanta."

I don't know where you got that. Although you present it as conjecture, it still offends me mightily. I have benefited greatly from Herbert's support since the merger. He is, if anything, even more involved with me and our company than he was before the merger, and at the time of the merger it never occurred to me that he would be "diluted" in influence. To the contrary, I believed his "influence" could only be enhanced by the merger and I was correct. It was I who urged him to go on the board of The Coca-Cola Company in 1982 to represent this part of the business. And my own progress within the company has been aided by Herbert's knowledge of our business and his support of what I have been doing.

Francis T. Vincent Jr.
Executive Vice President
The Coca-Cola Company
New York, N.Y.

The passage cited by Vincent was based on information from company insiders. Channels *did not mean to imply any disloyalty on Vincent's part toward Allen. —Ed.*

No Confidence Vote

I wish I had had your excellent commentary, "The Reluctant Mark Fowler" [*The Public Eye*, May], at the time the Steering Committee of the Caucus for Producers, Writers & Directors was debating the issue of whether to demand the FCC chairman's resignation. We eventually *did* vote to demand his resignation—a rather remarkable event when you consider he is the major architect of communications deregulation, and we are a body opposed to *unwarranted* intrusion into television activities by the government.

David Levy
President, Wilshire Productions
Beverly Hills, Calif.

Honeymoon's End

In "The Longest Courtship" [July-August], Burton Benjamin tells us that "the affiliates simply muscled out the idea of an hour-long network newscast." For many years, I have heard how networks have begged the affiliates to carry an hour of network news, saying that it would be "responsible" to do so.

What is never mentioned is that if it is truly responsible to carry an hour of network news, stations in the largest U.S. cities could each carry such a program without the cooperation of a single affiliate. The networks own and operate some of the largest and most profitable stations. Why must they depend on affiliates?

I'm tired of the network managers blaming the affiliates, as if the affiliates' love of money has resulted in a lessening of the networks' service to the American public. If there is any lessening, it is because the networks love money.

Herbert Rotfeld
Assistant Professor of Communications
Pennsylvania State U.
University Park, Pa.

Eye to Eye

Les Brown's *The Public Eye* column in the September issue states that the Capital Cities leadership "could well make a greater mess of it [the ABC network]."

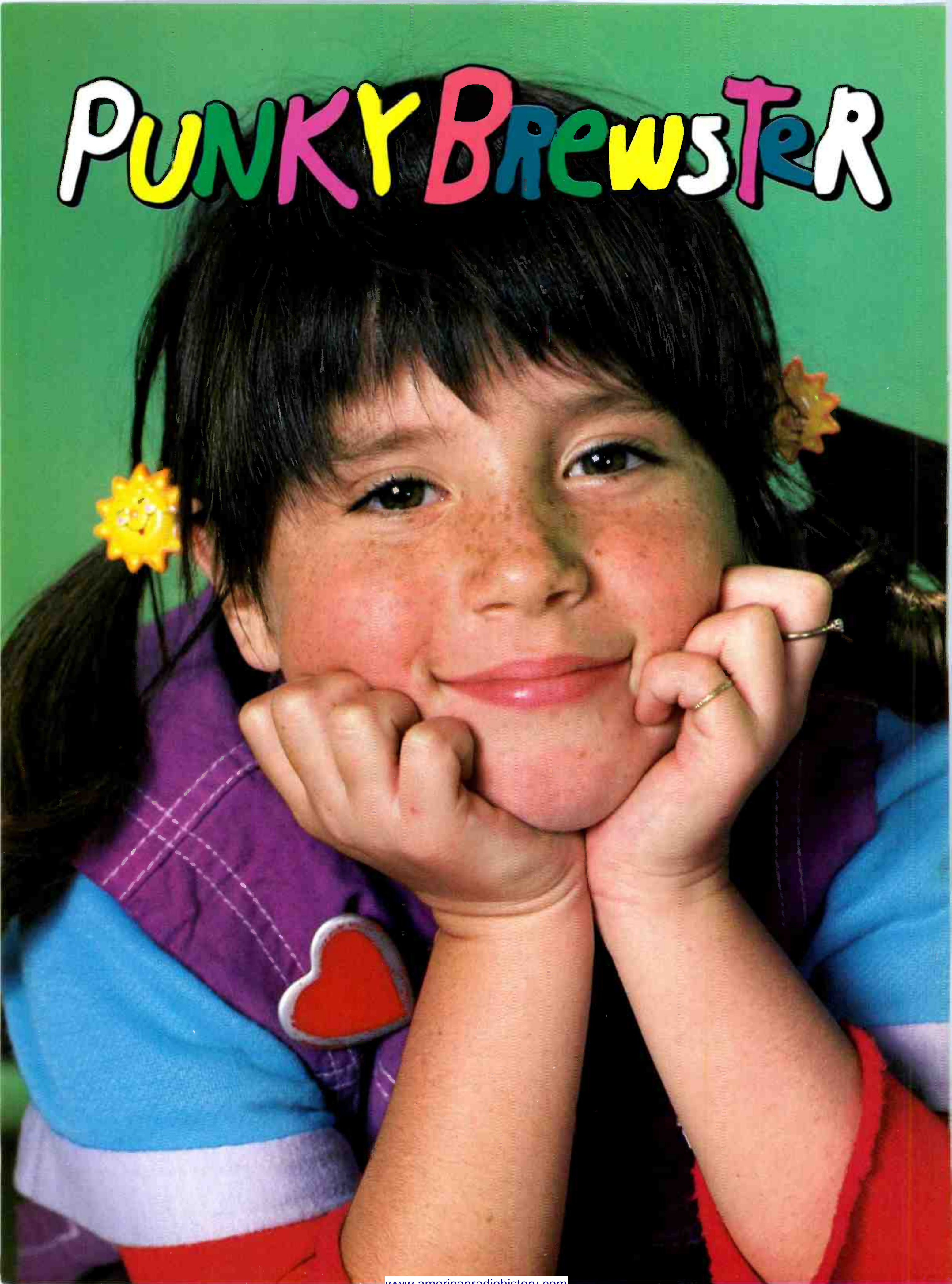
Anyone who has worked with Tom Murphy, Dan Burke, Joe Dougherty, Don Pels or other Cap Cities executives over its long and distinguished history have considerable reverence for the individual and collective acumen they represent.

The thrust of Cap Cities Productions alone points to a trustworthy future at ABC for one sound reason: Its leaders are solid broadcasters. At last in network board meetings, hands other than lawyers' and accountants' go up.

While there are no guarantees in this field of brutal competition, Cap Cities/ABC will craft a worthy network stance. Believe it.

Gene Wilkin
Wilkin Consulting Services
San Juan Capistrano, Calif.

YOU COULD MAKE A DECISION THAT WILL AFFECT THE FUTURE OF AMERICA'S CHILDREN.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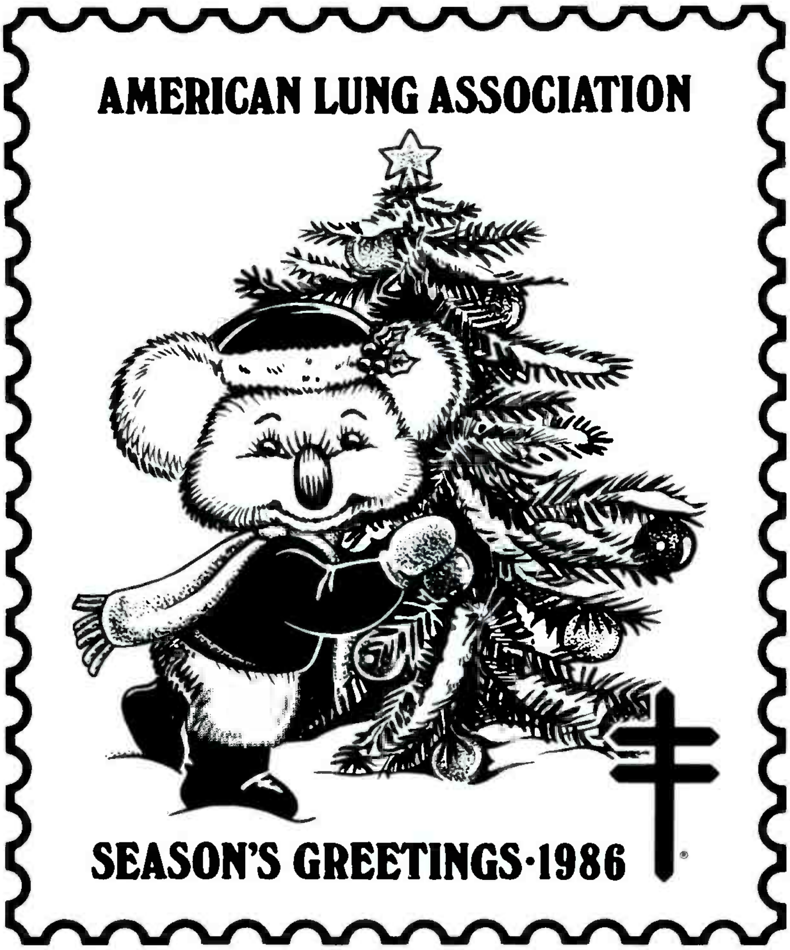

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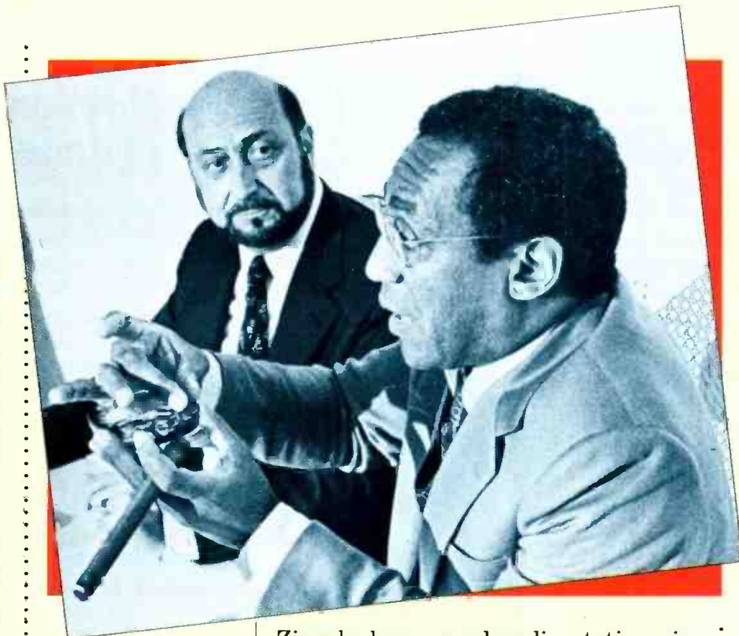
REPORTS

FCC

Cosby Application Rejected by Judge



Cosby and Zingale announcing Cozzin Communications' start-up at a Cleveland press conference in February 1981. Later, Cosby's partner was found to have forged signatures on 46 applications for low-power TV licenses.

THE PLAIN DEALER

A corporation co-owned by television's squeaky-clean First Father, Bill Cosby, has been rejected for station ownership by a Federal Communications Commission official on grounds of questionable character. Last summer FCC law judge Walter Miller dismissed the application filed by Cozzin Communications Corp., one of nine companies competing for the Boston radio licenses that RKO General is selling under an FCC order. Miller also barred Cozzin from eligibility for a radio license in San Francisco. Cosby, who founded Cozzin with Cleveland broadcaster and sports promoter Joseph Zingale in 1980, owns 51 percent of the corporation. Zingale owns 49 percent.

Cozzin's difficulties arose during a preliminary FCC check on the character and background of the applicants for the Boston radio frequencies. On the basis of evidence presented to the commission, Judge Miller determined that Zingale had forged the signatures of his wife and three children on 46 applications for low-power television licenses in 1984. Zingale produced documents granting him power of attorney for family members, but this was rebutted by testimony from a handwriting expert.

Judge Miller concluded that "Zingale has clearly demonstrated that he will deceive the commission if it will further his aims," and chastised Cozzin's attempted entry into the Boston market.

"Cozzin could hardly be considered a viable comparative applicant," Miller wrote in his decision. "Why an applicant imposes on the commission's limited resources in such a manner is not only a mystery but a tragedy."

Cosby and Zingale first met in the early 1970s through friends in the entertainment business and have since been frequent tennis partners. "We've been friends for years," says Zingale. Zingale has owned radio stations in Cleveland, Pittsburgh and White Plains, N.Y., and invested in basketball, hockey and tennis teams. In 1981 Zingale and two of his family members were sued by former Cleveland mayor Carl Stokes, who charged that they had reneged on an agreement to sell him two radio stations. (The case was later settled after a $75,000 payment to Stokes.) When Cosby and Zingale formed Cozzin Communications to pursue broadcast properties around the country, Cosby said that the goal of the company was to "serve the communities we operate in and to make money."

Cosby's New York lawyer, John P. Schmidt, says, "Cosby is basically a passive investor in Cozzin. I believe he is aware of the outcome [of the FCC decision]."

While Judge Miller's decision eliminated Cozzin as a contender for the licenses, there's a new twist. This fall the FCC threw out the findings of previous proceedings and allowed RKO to negotiate with applicants for its licenses. Cozzin could be the beneficiary of any cash settlement between RKO and the other applicants.

ROBERT O'BRIEN

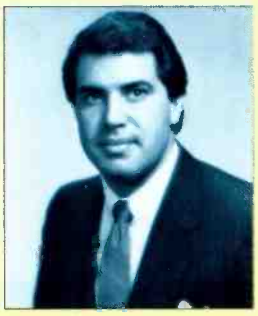
Broadcaster Zingale: "Why an applicant imposes on the commission's limited resources in such a manner is not only a mystery but a tragedy."

REPORTS

TV STATIONS

Dismissed Reporter Reappears in Texas

Should a television reporter dismissed for ties to a major crime figure be disqualified from the news business? Rick Sanchez, an Emmy-winning reporter and anchor for WSVN-TV in Miami, one of the first Cuban-Americans to make it big in television there, lost his job at the NBC affiliate earlier this year after authorities uncovered his relationship with alleged drug dealer Alberto San Pedro, a central figure in the most sweeping political scandal to hit South Florida in decades. San Pedro will go on trial this month on 64 counts of murder, conspiracy, racketeering, cocaine trafficking and bribery. Even as new details of his relationship with San Pedro have emerged, Sanchez has resurfaced as a reporter for KHOU-TV, the CBS affiliate in Houston.



Reporter Sanchez: His ties to one of Miami's major crime figures led to his ouster from WSVN-TV.

Sanchez's involvement with San Pedro was turned up during an investigation by the Dade County state's attorney into San Pedro's contacts with prominent politicians and judges. After Sanchez's name had surfaced frequently on police wiretaps of San Pedro, Sanchez told investigators that he had met with San Pedro dozens of times, and had even visited his house unannounced. Police taps picked up conversations during which San Pedro offered to bug the headquarters of a religious cult that Sanchez wanted to investigate for a story. Sanchez also told investigators that San Pedro had admitted making an illegal campaign contribution to a Miami Beach mayoral candidate.

Sanchez told authorities that he was cultivating San Pedro as a news source; his superiors at WSVN deny that he passed on any information to them. To date, Florida investigators have not filed charges against the newsman, and Sanchez's new employers in Houston staunchly defend their decision to hire the reporter. Says KHOU-TV's news director, Alan Parcell:

"Rick is a young broadcaster who doesn't have a lot of experience and may not have been as closely supervised as he needed to be. I intend to help him become a more mature broadcaster and a more mature person."

MARC FISHER

TOM SCIACCA

PROGRAMS

The Shrinking of Early Fringe

Late-afternoon audiences hooked on the ill-tempered spouses of *Divorce Court* will soon have more private miseries on which to feast before the local news. Three production companies plan to introduce a new kind of serial to the early-fringe time period next fall: half-hour visits to the therapist's couch.

NBC-owned stations have a development deal with LBS and Chelsea Communications, producers of *The Group*. Hosted by psychiatrist Barbara Levy, the show will feature brief soap-style dramas, followed by discussions with "support groups." CBS-owned stations, in association with Lynch-Biller Productions, are developing *People in Crisis*, which will feature actual patients in crisis, followed by audience participation led by host Dan Kiley. Finally, Blair Entertainment, which brought the popular *Divorce Court* to the syndication market, will hop on the couch with its *Strictly Confidential*.

Advice shows have been a staple of radio for years, but television offers new dramatic possibilities. The production companies are speculating that the new therapy serials might surpass the popularity of the courtroom shows. After all, says *People in Crisis* producer David Fein, "We all have relationship problems."

MATTHEW GRIMM

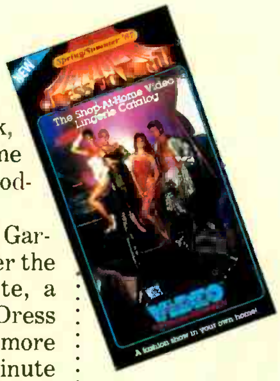
HOME VIDEO

Lingerie by VCR

Are home shoppers ready for G-string undies and satin boxing trunks? A Texas company thinks they are.

A new wave of electronic merchandising is about to hit American retailing: shop-at-home videocassettes. Catalogue companies believe that the tapes, to be distributed through video rental stores, have distinct advantages over other direct-sales methods, particularly the popular cable-shopping channels. "With a videocassette," says Arthur Morowitz of Video Shack, "you don't have to wait for some cable host to stumble onto your product some night."

Video Fashion Catalogue Co. of Garland, Texas, is the first firm to offer the cassettes nationally. Its cassette, a video lingerie catalogue called "Dress to Thrill," has been distributed to more than 3,000 video stores. The 17-minute tape presents items ranging from G-string bikinis to Everlast satin boxing trunks. Says company president Peter Granoff, "We started with lingerie because so many people are embarrassed to go into stores and buy it."



"We started with lingerie because so many people are embarrassed to go into stores and buy it."

Video Fashion provides stores with free introductory copies and charges $9.90 for each additional tape. Customers order their favorites by dialing an 800 number. If all goes well, an entire line of video fashion catalogues is next, says the company.

RICHARD ZACKS

RADIO

Indian Airwaves

Faced with cutbacks in federal aid, Indian tribes around the country are coming up with new ways of achieving self-sufficiency. One tribe, the Navahos, has sought solvency in broadcasting.

KTNN (the NN stands for Navaho nation) is the newest of nine Native American radio stations, and the only commercial outlet. Earlier this year, the 24-hour AM signed on as an NBC affiliate at tribal headquarters in Window Rock, Ariz.

Indian tribes are scrambling to make up for lost Federal funds. The Navahos started a radio station and are running it in the black soon after launch.

KTNN broadcasts in Navaho from 5 A.M. to 12 noon and in English, Zuni and Apache otherwise, programming a mix of news, daily livestock reports, rock, country and traditional Indian music.

KTNN 66 AM

To launch KTNN, the Navahos invested $1 million of tribal money and a $300,000 Bureau of Indian Affairs grant. The 35-member staff runs the station on an annual budget of $600,000 and managed to break into the black four months after start-up.

"We've got a lot of social programs on the reservation in need of money," says station manager Delfred Smith. "A radio station seemed a way to generate it and so far it has."

RUSTY BROWN

PRODUCTS

Children's Toys Activated by TV

"Electronics" has been a dirty word in the toy industry since the collapse of the video game business in 1982. But two California firms—Nolan Bushnell's Axlon and Lewis Galoob Toys—have introduced "television-interactive" toys in time for Christmas.

Galoob's Smarty Bear ($130) talks back to the set when it receives cues from videotapes that come with the toy. Smarty is tethered to the VCR via a "smart box" that allows him to talk with his on-screen nephew. Smarty can also talk without the aid of the VCR.

JIM DILLON

Bearing up: Galoob's intelligent teddy talks back to the TV when he receives signals from video tapes that come with the toy.

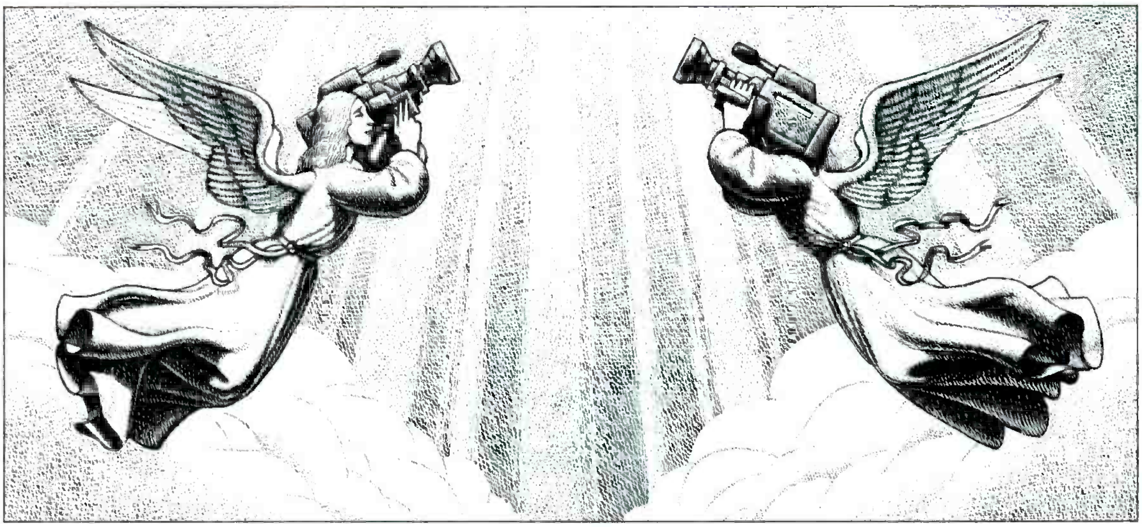
TechForce ($150), Axlon's new-generation video game, brings its on-screen characters to life as motorized space warriors that race around the living-room floor. Inaudible tones, planted in the game cassettes, activate the toys, enabling them to play against each other and against the on-screen characters.

Axlon's greatest nontechnical feat, however, is receiving Federal Communications Commission approval for a broadcast tie-in. Production has already begun on a syndicated TV show, tentatively titled *TechForce*, that will be ready for air in September 1987. Its soundtrack will activate the TechForce warriors. The FCC has not previously allowed broadcast programming that activates games and toys.

Despite the high price tags, Wall Street is bullish. Says Steven Eisenberg, an analyst with Bear, Stearns & Co. (no relation to Smarty), "I think they might have something here."

CECILIA CAPUZZI

TALK SHOW



MIRKO ILIĆ

IN THE BEGINNING WAS THE NETWORK

Praise the Lord, and pass the ancillary merchandise. ABC has discovered how to make money off the Good Book—by packaging biblical characters like so many Care Bears.

The Kingdom Chums, stars of an animated special of the same name that's set to air November 28, are the brainchildren of ABC's children's television chief, Squire Rushnell. In the program, three preteens are transported to Bible Land, where they meet Magical Mose, the Tiger of Joy; David, the Raccoon of Courage; and Christopher, the Lion of Love.

In the course of their adventures, Mose, Chris and David lead young viewers through the story of David and Goliath. At the climax, a sneaker-clad David, reciting the Twenty-third Psalm, slays Goliath (a huge, slobbering warthog). Then, before they're zapped back to the real world, Chris reminds Mary Ann, her brother Peter and their friend Sauli (a little boy in a yarmulke) that "all things are possible with faith."

"You have to keep in mind that I'm a mass-merchandiser," says Rushnell. "I'm going under the premise that there are a great number of baby boomers out there having babies, and that they are trying to instill traditional values in their kids. Every Gallup poll says that well over 95 percent of the American people profess a belief in God. I have to believe that those people shop at K-Mart, and that the secular market and the religious market are not that far apart."

That's how *The Kingdom Chums* was born in a network brainstorming session. Rushnell, who describes himself as "Judeo-Christian," had to find a way to make the stories "child-friendly." The solution was to transmogrify biblical figures into cuddly animals—with all the marketing advantages that accrue.

The Chums' first appearance was in a book by Rushnell that was published by Word Inc., a religious publisher better known for the works of Billy Graham and Robert Schuller. The firm is a wholly owned subsidiary of Capital Cities/ABC. "I intended the project to be a business opportunity from the beginning," says Rushnell, "because programming opportunities, no matter how noble, will not succeed unless they're good business opportunities."

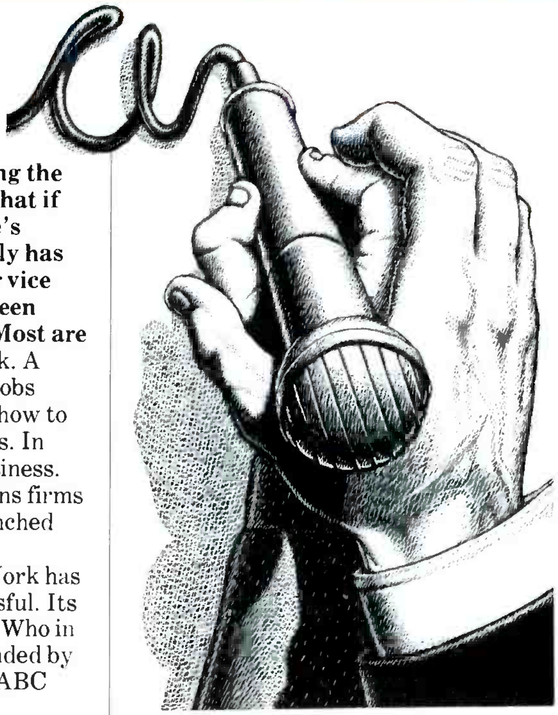
The copyright on Holy Writ having expired several millennia ago, ABC owns all rights to The Kingdom Chums. The network subcontracted with DIC Enterprises, a French animation house, to produce the special, and it will begin receiving royalties next year when a company called Determined Toys starts producing a line of plush, stuffed versions of Chris, Mose, David, et al.

Later this year, three new books retelling the stories of Esther, Miriam and Christ's Resurrection will be published. The latter, the Chums' first romp through the New Testament, has been plotted carefully. "It gets into the Resurrection but skips the cross and the whole situation of Christ dying," says Rushnell. "He dies, but we really have a happy ending." All these stories will be grist for future specials, theatrical movies, even a Saturday- or Sunday-morning series, Rushnell says, though he won't commit himself.

But does ABC fear the wrathful objections of atheists, nihilists, existentialists and non-Christian Judeos? The Jewish question, says Rushnell, has been addressed by having Little Sauli (not a recurring character) in the first special; beyond that, Rushnell isn't worried. "When you look in the back of the *World Book Encyclopedia* and you find how many Christians there are in the world compared with how many Jewish people, you'll find that those people who advise a tie-in to the Christian market make good sense." As for nonbelievers, he says, "at the extremes there will be complaints. But I have a feeling that there will be a lot fewer than some people anticipate."

ANDY MEISLER

TALK SHOW



AFTER THE FALL

The problem with reaching the top in network news is that if you're terminated there's nowhere else to go. Only rarely has the ousted president or senior vice president of a news division been salvaged by a rival network. Most are forced to find a new line of work. A startling number have landed jobs teaching corporate executives how to act during television interviews. In fact, it's become a booming business.

Among several public relations firms employing some of the best benched talent in TV news, Executive Television Workshop in New York has probably been the most successful. Its faculty is a veritable Who Was Who in network news in the '70s. Founded by Walter J. Pfister Jr., a former ABC News vice president, ETW's 12-member teaching staff includes the former president of ABC News, William Sheehan, and its former west coast news chief, William L. Knowles. Old competitors are also in the fold, among them Richard Fischer, longtime NBC News executive vice president. Robert Mulholland, executive vice president of NBC News before becoming president of NBC, recently left ETW to become director of the Television Information Office.

Pfister and his crew of yesteryear newsmen do well financially and are given to rhapsodizing about the "new and exciting challenges" that teaching offers. They insist their goal is what it's always been: helping to disseminate information. "If an interviewee stumbles all over himself, nobody benefits," says Pfister.

These former network executives, who were accustomed to supervising the news for millions, now offer guidance on wardrobe, gestures and facial expressions to a handful of students from the corporate and business world. And, it would appear from the rapid expansion of the company, they're doing it exceedingly well.

In its first eight years, clients have included executives from DuPont, IBM, AT&T, Mobil, Ford, Westinghouse, Johnson & Johnson, the chairmen of the Republican and Democratic national committees, several NASA astronauts and John Turner, former prime minister of Canada. The courses run from one to three days at $4,000 a day. According to Pfister, the firm grosses well over a million dollars annually.

Some of their former colleagues believe the stars of ETW have sold out to commerce and are undermining responsible journalism. Nonsense, says Pfister. Why should the trained TV journalist have such an advantage over the interviewee, who has at least as much at stake professionally? "There's no conflict of interest here," Pfister insists. Besides, he adds, "We're not working for the networks anymore."

SIMI HORWITZ

TELEVISION'S COMEDY GHETTO

With *The Cosby Show* by far the biggest hit on television and destined to fetch astounding prices when it goes to syndication, it's hard to believe that TV broke the color line only 18 years ago. That was when NBC introduced *Julia*, an innocuous sitcom about a middle-class black woman starring Diahann Carroll. To everyone's surprise, including the network's, it became a hit.

Before *Julia*, which was a sop to the civil rights movement of the '60s, the common wisdom in television and in advertising was that white households, especially those in the South, would never accept programs built around blacks. *Amos 'n' Andy* was the exception, but some have argued that its very appeal was racist: black jokes at blacks' expense.

When *I Spy*, an NBC action series that predated *Julia*, premiered in 1965, Bill Cosby was billed as costar. That wasn't quite true. He was actually only the sidekick of Robert Culp, the white star of an essentially white show.

There had been other black second bananas—Jack Benny's valet, Rochester (Eddie Anderson), for example—but otherwise blacks got on television either in sporting events or as performers on variety shows.

One of TV's most shameful episodes occurred in 1957, when NBC—again NBC—gave popular recording artist Nat (King) Cole a prime time show of his own. In those days, shows were sponsored by single advertisers and no advertiser would touch this one, believing it would do their products more harm than good to be associated with it. A number of white performers, many of them major stars, rallied behind the show by offering to appear free or at minimum scale, but to no avail. To NBC's credit, it allowed the show to run a full season, unsponsored.

Cole was born too soon. He died in 1965, three years before *Julia* and 20 before *Cosby*. In the years between came *The Flip Wilson Show*, *Sanford and Son*, *The Jeffersons*, *Benson*, *Diff'rent Strokes* and a raft of other popular sitcoms centering on black life or featuring black stars. And of course, there was the extraordinary miniseries *Roots*, the last episode of which was the highest-rated program, at that time, in the history of television. The miniseries as a whole remains the highest rated of all time.

Today, no advertisers worry about whites not letting blacks into their homes via television. Yet there is this curious fact: Except for *Roots*, PBS fare and an occasional movie, all the network prime time programs that have been more black than white, in spirit and casting, have been comedies.

So there is still a way to go beyond the breached color line. The great success of *The Cosby Show* could encourage some network to attempt a police show centering on blacks. And after that, can a black prime time soap be far behind?

LES BROWN

TALK SHOW

EYES IN THE SKY

In the days following the Chernobyl meltdown, a remarkable satellite photograph began turning up on American TV screens. From 500 miles up, the bird's powerful cameras had brought into focus objects less than 30 feet square. Viewers could clearly see the reactor complex and its proximity to the reservoir serving the city of Kiev. The Soviet information blackout had been foiled in the click of a shutter.

The image was not, as it turned out, a classified American spy-satellite photo. It had been taken by a commercial company and sold to the media, just as a photo service would sell a picture of a train wreck. And if the Kremlin wasn't happy about this breach of security, neither was Washington: The Soviet Union now found itself naked to civilian scrutiny from above, and so did the United States.

News organizations around the country are beginning to buy high-resolution satellite images. At the same time, the two companies now providing such photos—the American Landsat system, whose data is marketed by the Earth Observation Satellite Co. (EOSAT), and France's SPOT—have begun to court the media. Meanwhile, those companies, the U.S. government and news representatives are trying to work out ground rules to govern the sale of potentially sensitive material. The Radio-Television News Directors Association has asked Congress to ensure First Amendment protections for satellite news gathering.

The satellite operators, for the most part, view the matter simply as a case of supply and demand. "The news media say, 'We need to see Chernobyl and we can't see it,' " explains David S. Julyan of SPOT, which has a U.S. division. "We say, 'Great, we'll show it to you.' " So far, ABC has bought photos of Chernobyl, Libyan airfields and Soviet naval bases. EOSAT sold the Chernobyl shots for $50 each. "Can the media get into arms control verification?" asks Mark Brender, an ABC News assignment editor. A more crucial question is, "Should it?"

Trying to hold back satellite news gathering is as futile as attempting to prevent any technological advance. As the U.S. government gradually pulls out of the commercial satellite business and private companies move in, the government will have less and less control over the sale of satellite images. And even if the government could impose prior censorship over satellite photos in this country, those shots would still be available abroad. A Swedish company, serving as middleman, regularly sells EOSAT's and SPOT's photos to the news media, and within two years the Japanese and Canadians are likely to have their own remote-sensing birds in orbit.

But should commercial companies be willing to sell any image without restriction? If Muammar Qaddafi wants to buy a satellite photo of Ronald Reagan's ranch, is he to be regarded as just another interested buyer?

"We will provide any image of anything in the world to anybody who asks for it and can pay the commercial rate," says SPOT's Julyan.

Satellites are giving commercial companies and the media a power previously known only to intelligence agencies. Clearly, the press freedoms that protect U.S. reporters on earth should accompany them into space. But for newsmen and the companies who serve them, the responsibility to know when to divulge sensitive information and when not to could be greater than ever. Just having a sensational photo and knowing that it may be sold to others could prompt editors to go with a shot they might otherwise withhold. Theirs will be a responsibility as unprecedented as the new resource they now hold in their hands.

JOSEPH VITALE

PRETORIA'S VIDEO

South Africa's latest campaign against congressional efforts to impose economic sanctions is a 15-minute videotape distributed to 900 American newspapers and radio and television stations. *South Africa: The Mainstay of the Southern African Region*, produced by the South African embassy in Washington, predictably argues that sanctions will "devastate" the nearly one million blacks whose jobs depend on foreign trade and would disrupt the economies of the region's 12 other nations, all of which depend on Pretoria's vital rail and port links. Embassy press officer Chris Streeter says the tape was hastily compiled this summer on the eve of the sanctions debate in Congress and was not designed specifically for broadcast but for "informational use." But the mediocre quality of the footage and its questionable plausibility—at one point, South African president P.W. Botha claims that his country has "outgrown the outdated system of apartheid"—all but guarantee that few will be swayed. The tape demonstrates once more that South Africa's defense of apartheid lacks any credibility and, both at home and abroad, Pretoria completely misunderstands the needs of American news organizations.

RINKER BUCK

THE PUBLIC EYE

by Les Brown

THE VICTIMS OF MERGERMANIA

As a boy chewing on Milk Duds at the Saturday matinee, I often found myself distracted by the deaths of the bad guys in Westerns. While I felt a sense of good riddance, my mind would not let go of the idea that this was the end of their lives—bang—just like that.

With quick glances over his shoulder, the hard-riding hero would neatly plug one after another pursuer, dropping them off their horses into the dust. But as the picture galloped on, I found myself drifting back to those mean hombres lying dead on the prairie and wondered whether their families had come to collect the bodies. Surely there were loved ones who would weep and grieve even for a faceless desperado. In the dark of the theater, I imagined the funerals being held somewhere on another screen and let the picture I had been watching get ahead of me.

One learns early in life that pictures have their own agendas and don't stop for death if it is incidental to the story. In a way, this becomes our preparation for watching the news on television. The story is Chernobyl or Beirut or the Cameroons and it is death that gives it its importance, but the people who die are not the story. We think, "How sad," yet it's not their story we follow. The story is the disaster or the war; the dead are but validating statistics.

The gunfights have been among the corporate raiders, card sharks and bullies, but lots of supporting players have gotten caught in the crossfire.

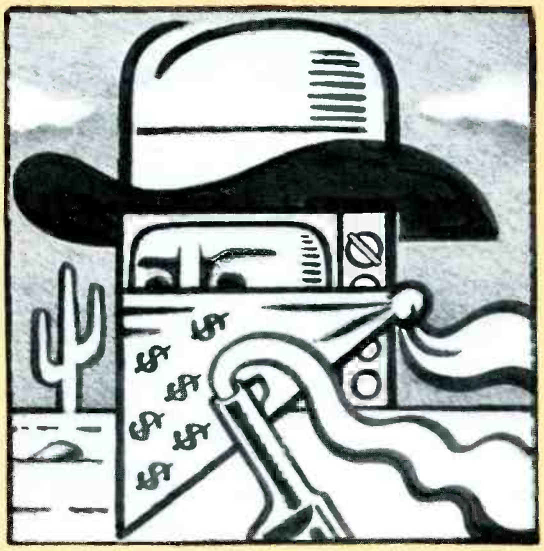
The picture I'm watching today is not unlike the old shoot 'em-ups at the Bijou except that it's hard to tell the good guys from the bad. There are raiders, plunderers, card sharks and bullies. Companies are pursuing media companies at a fast gallop, and in all the mayhem the carnage is heavy.

Playing on thousands of other screens to private audiences are stories of shattered careers, broken dreams and betrayal. Call me a bleeding heart, but I do stop for those who get shot down—the ones I know—and feel sad for the others, most of whom, I suspect, never heard of a leveraged buyout or a junk bond or the servicing of debt until they got plugged and their lives upended.

The business news contains its own genre of disaster. We see Metromedia vanish along with Storer Broadcasting and Group W Cable (formerly Teleprompter), all venerable companies that once seemed to promise their personnel a lifetime of employment and endless advancement opportunity.

During the past year, huge staff cuts came in waves at CBS and ABC, and most observers say that a heavy pruning at NBC is likely now that it has become subsumed in the General Electric colossus. Meanwhile, the mergers involving ABC/Cap Cities and NBC raise questions about whether those two companies will retain their radio networks or sell them off, which would lead to yet more displacement.

In following the lengthy melodrama at CBS, where Tom Wyman and his band tried to fend off the bushwhackers and save the ranch for themselves, I was distracted by thoughts of all the supporting players who bit the dust in the adventure. While Wyman and Van Gordon Sauter were fighting to the finish, with their golden parachutes that will reward them with millions for reducing CBS to a shadow of its old self, I could not help but think about the people with no parachutes whose lives were damaged by all this. In particular I sympathize with the scores of people who thought they were building careers in broadcast journalism and now find themselves out of jobs at a time when none of the networks is hiring.



BOB GALE

Well, these are just the cruel rules of the game, say those who have come out on top. But if so, they are brand-new rules. Under the old rules, if you did your job well and your company prospered, you could expect to move up. No one said that if you did a good job and someone snatched the company you might get moved out. Under the old rules, a company that was failing was prime for a takeover; today, the companies that are doing well are the most likely targets.

The mark of a great CEO today is not that he's built a first-class organization but that he has a genius for diminishing one.

Wall Street is bullish on all the new network chieftains—Tom Murphy, Bob Wright and Larry Tisch—because all are past masters at cutting the payroll to the quick. Indeed, according to his interviews in the press, Tisch became disenchanted with Tom Wyman to the point of unseating him as chairman of CBS because he felt Wyman's staff cutbacks "weren't dramatic enough."

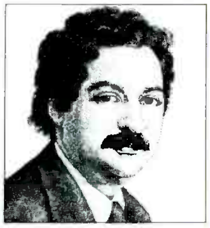
Once again, the picture in the foreground has gotten ahead of me.

While corporations continue to clash in mighty brawls, I find myself contemplating the paradox that the wild expansion of the media marketplace is resulting in fewer jobs. I wonder what these new rules will mean to the value system of the country, and how the new generation of adults will respond to the discovery that working life in corporate America has become such a game of chance that no sensible person would bet his future on it.

Would any young person knock his brains out for a company that is given to chopping heads whenever business gets a bit soft? I doubt it. ●

THE BUSINESS SIDE

WHY WALL STREET SOURED ON WYMAN



by Merrill Brown

Now that the most recent chapter in the stormy history of CBS Inc. has closed, one can draw a simple yet important conclusion from the removal of CBS chairman Thomas Wyman. Wyman is gone from one of the most prestigious jobs in America not because he lacked television experience, not because he was unable to get the company's news division in his corner, not because of his perplexing capacity for personal gracelessness and indiscretions, not because of his highly publicized policy failures in Washington and not because Laurence Tisch remained unconvinced of Wyman's strengths.

Wyman is gone from the television scene because he failed at what had been his forte: He was unable to run CBS well enough to persuade investors to bid up the price of CBS stock. If the company's stock price had reflected the lofty worth of its properties, the company would not, during Wyman's recent years, have been vulnerable to the crippling takeover efforts of Ted Turner and would not have required the supposedly friendly presence of Tisch as a board member and major shareholder. And certainly CBS would not have been as attractive to other potential buyers such as The Coca-Cola Company, the suitor whose interest led directly to Wyman's ouster.

Wyman: Neither public leader nor astute internal strategist. When Wall Street lost its patience with him, he was gone.

AP WIDE WORLD PHOTOS

The CBS chairman was never able to ease the company's historic dependence on the network television business.

Since the merger wave began in the spring of 1985 and media company stocks shot upward, CBS stock has been perhaps the most undervalued in the field. On April 30, when CBS stock was trading at just over $132 a share (roughly the average price of Tisch's purchases), analyst Paul Kagan said that only two other media stocks out of 32 surveyed traded at a greater discount to their private-market value. At the time, that figure was 46 percent, according to a Kagan valuation. Although some critics say Kagan overvalues media properties, what's important here is CBS' relative value compared with other companies in the field.

To be sure, the stock price reflected the CBS conviction that the company ought to remain independent and avoid being considered a takeover play for investors. Moreover, CBS stock, the one investment vehicle still dominated by network television, was almost certainly a victim of the difficult advertising environment and the erosion of the network television audience. But Wyman—despite either launching or seriously considering new or expanded efforts at theatrical films, toys, magazines, electronic publishing and satellite television—was never able to ease the company's historic dependence on an enterprise losing at least some of its financial luster: the network television business. In fact, as a percentage of total company revenue, the contribution of CBS Broadcast Group has increased from about 44 percent in 1980 to 57 percent in 1985—hardly the mark of a company being guided away through diversification from a business that faces numerous long-term strategic difficulties. Part of the problem for Wyman was the continuing program-ownership restrictions on the networks; part of the problem was the lack of a clear vision of where to take CBS; and part of the problem was that some Wyman bets, such as the interest in videotex with IBM and Sears Roebuck, are too long-term to have yet produced clear results.

In fairness, the Wyman years did produce a considerable list of successes. The company retained its independence and senior management stability, defended itself successfully in the vitally important Westmoreland litigation and moved its flagship news program, the *CBS Evening News*, from the Walter Cronkite era to the Dan Rather days while retaining a remarkable record of news leadership. And CBS led the prime time ratings race for all but the last of Wyman's six years. The CBS Records Group is vastly successful, as is the CBS/Fox home video venture. Over the past year, Wyman needed to raise some $300 million to straighten out the company's balance sheet, muddied by moves to head off Turner. He raised double that amount. The Tri-Star movie partnership is a winner, one which CBS abandoned primarily to raise cash.

But even that very creditable list of successes (and his anointing by CBS founder William Paley) ultimately was not enough. Although Wyman and his controversial top lieutenant, William Lilley III, skillfully orchestrated the wooing of Wall Street in the early days of Wyman's tenure, Wyman never adequately became the kind of public leader and politically astute internal strategist required to run CBS, that most public of companies.

"That's just not the way I'm made," Wyman once said of his difficulties in handling the public posture of a CBS leader. "We are what we are. If somebody tells a nuclear physicist he ought to be a carnival barker, he is going to have a tough time—and a carnival barker isn't going to be much of a nuclear physicist."

For all his vaunted business skills and prodigious intellect, Wyman proved to be neither the strategist nor the leader. In the end, it was the Wall Street community's consuming worry about stock price that led to the first major casualty of the new generation of media company leaders. ●

The Convictions of a Long Distance Investor

Old-fashioned in his methods and folksy in style, billionaire Warren Buffett is undeniably America's preeminent investor in media. In a rare protracted interview, he discusses how he operates and how he views television's future.

by Patricia E. Bauer

AMBLING INTO THE plush Omaha Red Lion Inn for Sunday dinner, Warren E. Buffett could pass for any of the hundreds of business travelers who frequent the chain hotel—a salesman, perhaps, killing time before the workweek begins on Monday morning. His thinning hair stands away from the sides of his head, as though a compelling thought distracted him as he was combing it, and his eyebrows are heading northeast and southwest. Tall, gangly, a little rumpled, Buffett is wearing khakis and a jacket and tie.

"I dressed up for you," he says, smiling sheepishly.

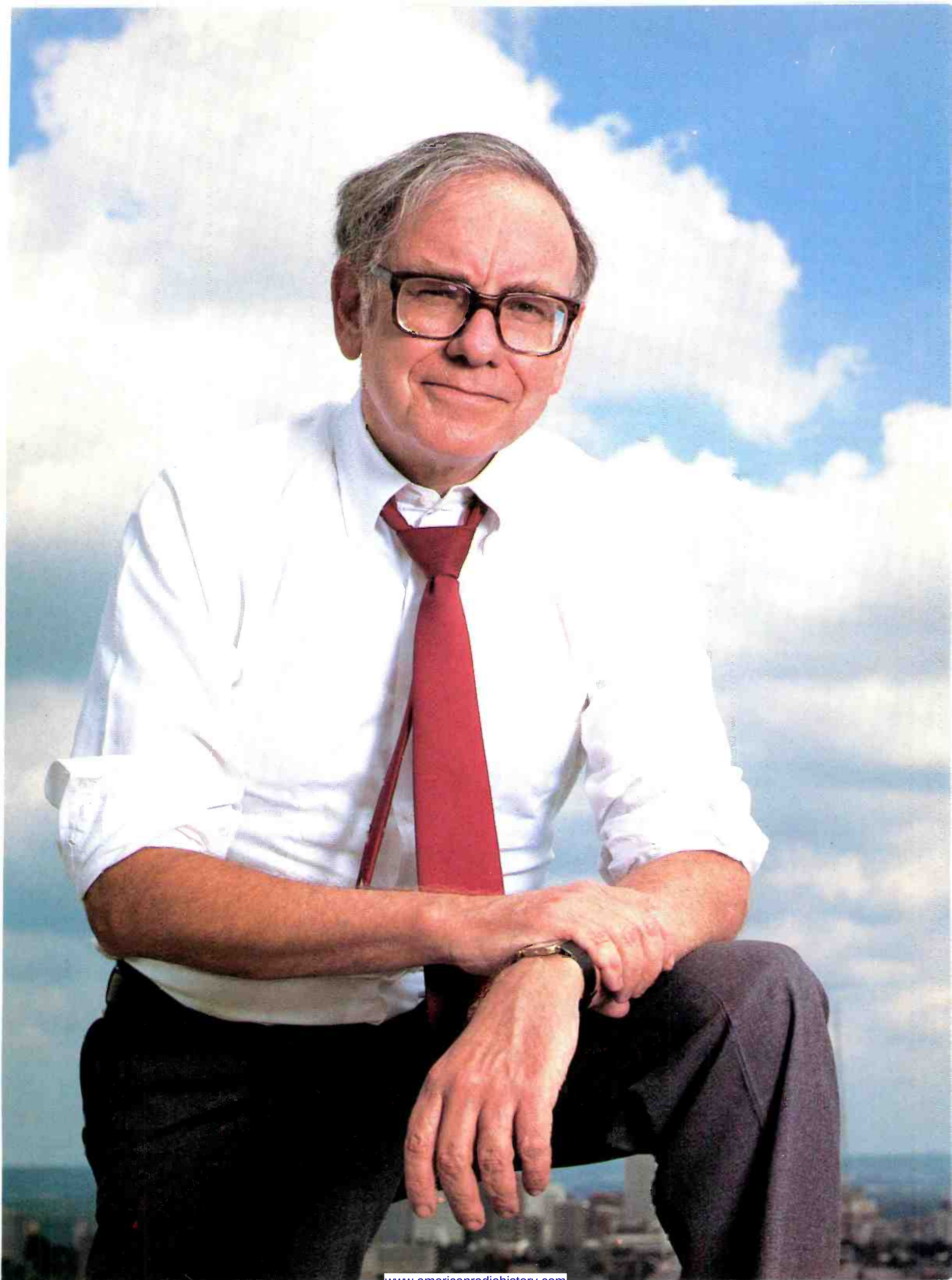
But behind the horn-rimmed glasses there's a visionary look. Back in the 1960s, when oil and gas and real estate trusts were the rage on Wall Street, this obscure Nebraska financier ignored conventional wisdom and identified media companies as terrific business opportunities. Over the years, Buffett has been a major shareholder in some of the most influential, profitable corporations in the field, the confidant of Washington Post Company chairman Katharine Graham and Loews Corporation chairman and CBS' acting chief executive officer Laurence A. Tisch. Business magazines have dubbed him "the wizard of Omaha," and his every move is followed closely on Wall Street. Tisch has called him "the greatest investor of this generation." But Buffett has never strayed very far from his Nebraska roots, and if he has a style, it is a throwback to Henry David Thoreau's appeal to mankind, "Simplify. Simplify."

A billionaire who started his first investment firm 30 years ago with $100,000 of borrowed money, Buffett still lives in the same five-bedroom house he purchased for $31,000 in 1958. Berkshire Hathaway Inc., the investment vehicle through which he controls a diversified portfolio of media, insurance and retail holdings, has five employees working out of a modestly furnished suite of offices in an Omaha office tower. This year, when he finally bowed to necessity and acquired a corporate jet, Buffett bought a 20-year-old Falcon for $900,000. He does not own a computer, a Quo-

No-Frills Investor: Warren Buffett's $517 million stake in Cap Cities/ABC has made him one of the key figures in broadcasting today. But he continues to live a quiet, modest life in the Omaha house he bought 30 years ago and treats himself to a fine steak dinner for $9.25.

BONNIE SCHIFFMAN

Channels *West Coast editor Patricia E. Bauer reported for* The Washington Post *and, most recently, was assistant to the publisher of that newspaper.*



'I WILL BE in Cap Cities as long as I live. It's like having a kid with problems—it's not something we're going to sell in five years. We're partners in it.'

tron machine or even a calculator, and, in a financial world increasingly dominated by complicated "forecasting models," Buffett's analytical method is refreshingly pristine. He simply gathers all there is to read on a subject or a particular company, sifts through it carefully and then dumps everything that doesn't make sense.

Today, Buffett serves as the cornerstone of Thomas S. Murphy's ambitious plans to rebuild the ABC television network. Murphy, chairman of Capital Cities/ABC Inc. and one of Buffett's closest friends, called him last year for advice in piecing together the $3.5 billion in financing needed to purchase the network. After talking it through, Buffett decided to kick in $517 million of Berkshire's money. His stock purchase, coming at a time when ABC was on the ropes and ripe for a takeover, gave him control over approximately 18 percent of the shares and made him the company's largest shareholder—or, as Buffett says, Cap Cities' "400-pound gorilla."

But it's not just Buffett's money that makes him so vital to Cap Cities/ABC. It's his devotion to the man he calls "Murph,"—a devotion nurtured through more than 15 years of golf games, tennis matches, family get-togethers and leisurely phone calls. Though the two had never teamed up in a business venture before, it was Buffett's trust in Murphy that prompted him to give Murphy something practically unheard of in the business world: a promise that Buffett will hold the stock for 11 years, assuming Murphy and Cap Cities/ABC president Daniel Burke remain in place that long, and will vote the stock the way Murphy says. Such a pledge from the company's biggest shareholder virtually assures that Murphy can retain control of the troubled network for the next decade—long enough, arguably, to give him every chance to make it work.

"I love being associated with Murph," Buffett says. "I literally do not work with anyone I don't like. I'm fortunate to be able to spend the rest of my life working with people that I like and admire. And here's Murph up at the top of that list with a terribly interesting business."

Settling into a hearty Omaha meal of steak and potatoes, Buffett says he didn't invest in ABC for the glamour. "I don't want a good table at . . . Chasen's," he says, groping for the name of a popular Hollywood eatery. "I don't even know where it is." (Buffett's favorite restaurant is Gorat's Steakhouse in Omaha, a homey place decorated with pictures of prize steers, where $9.25 buys "The finest steak in the world.")

Nor does he have dreams of molding public opinion or shaping programming. The very thought makes him uncomfortable. "I'm not the right guy to ask about those things."

An intensely private man who only occasionally talks to the press, Buffett is giving his first major interview since the ABC deal. Several hours of conversation reveal him to be a principled, intellectual man with a passion for analysis and problem solving. Buffett enjoys tackling problems that can be solved and doesn't trouble himself with questions he cannot answer. But more than anything else, it is his loyalty to Murphy that sets him apart, especially from his friend Tisch, whose acquisition of almost 25 percent of CBS' stock undermined chairman Thomas H. Wyman and led directly to Wyman's resignation in September.

And, unlike celebrated corporate traders and raiders such as Ted Turner, Carl Icahn and Ivan Boesky, Buffett says he's not in business to make a quick bundle by churning his stock or to acquire a company only to break it up piecemeal and sell its valuable assets at a premium. As with all his investments over the years, Buffett has signed on with Cap Cities for the long haul. For him, the fun of investing is in helping well-managed businesses flourish.

"I will be in Cap Cities as long as I live," he says. But what will happen if Murphy can't turn the network around? "It's like if you have a kid that has problems—it's not something we're going to sell in five years. We're partners in it."

Buffett's investment strategy for Cap Cities/ABC seems roughly the same as it is for his other holdings: Buy undervalued, well-run businesses that generate a lot of cash and then sit tight and let them do what they do best. It was a lesson he learned the hard way, at the age of 11, when he and his sister Doris made their first stock investments by buying three shares each of Cities Service preferred, paying $38 a share. When the stock declined to $27, the kids got nervous. After it rallied and recovered to $40, they sold. Shortly thereafter, Cities Service took off spectacularly, climbing to $200 a share.

The Cities Service story is now a part of the Buffett legend. In

BUFFETT'S MEDIA WORLD

COMPANY	TYPE
THE WASHINGTON POST COMPANY	Diversified media company
Times Mirror	Diversified media company
The Ogilvy Group	Holding company for ad agencies
AFFILIATED PUBLICATIONS, INC.	Boston Globe Publisher
INTERPUBLIC GROUP OF COMPANIES INC.	Holding company for ad agencies
Media General	Diversified media company
KNIGHT RIDDER	Diversified media company
CAPITAL CITIES/ABC, INC.	Diversified media company
Time Inc.	Diversified media company

An Influential Circle of Friends

GRAHAM

TISCH

MURPHY

Buffett's "friendly" acquisition style and unstinting loyalty to managers he likes has won him a charmed circle of admirers in the highest reaches of the media. They include Washington Post chairman Katharine Graham, CBS acting CEO Laurence Tisch, and Cap Cities/ABC chairman Tom Murphy, who wooed Buffett for 15 years before the Omaha investor bought 18 percent of the network's stock.

his office, Buffett still keeps tax returns on business ventures dating back to age 13, an entrepreneurial history worthy of Horatio Alger. As a boy, Buffett retrieved and resold golf balls, peddled magazine subscriptions, published a track tip sheet called *Stable Boy Selections* and shuffled reconditioned pinball machines between barbershops. Before he finished high school, he had bought a 40-acre Nebraska farm for $1,200.

Buffett met Murphy more than 15 years ago when a former Harvard Business School classmate of Murphy's put them together at a lunch in New York. Murphy was so taken with the financier that, shortly afterward, he asked Buffett to serve on Cap Cities' board of directors. Buffett declined, but the seeds of an enduring friendship were planted. Now Murphy is one of Buffett's inner circle, among the select number of top executives who join him every other year for a retreat to discuss personal financial management and business philosophy.

Buffett rarely promotes himself—indeed, his modesty would be almost comic if it weren't so genuine—but he loves to brag about his friend Murphy. In the late '50s, as Buffett tells the story, Cap Cities consisted of one local television station, while CBS commanded the nation's most highly respected television network. Cap Cities was $490,000 in the red, while CBS' stated net worth was $98.3 million. Now Murphy has risen to take charge of ABC, and CBS is battered by takeover tremors, layoffs and morale problems.

"Two commercial boats set sail on the same sea . . . 25 years ago," Buffett wrote of Murphy in a letter to friends in 1983. "One was the *QE II* of the time, with [CBS founder William] Paley at the helm, and the other was a leaky rowboat with Murph at the helm. Both have now arrived in port carrying cargo of roughly equal value."

Buffett rationalizes his investment strategy by saying that it "maximizes long-term values for owners." But the truth seems to go far deeper than that. Buffett doesn't have much respect for the kind of people who make and break promises for their own financial gain.

"I don't think I would feel good about myself if I went around dumping people after they've trusted me," he says.

Buffett is not reading from the business school texts here, but he's made a tremendously successful career out of bucking trends and following his instincts and common sense. At the age of 56, 30 years after returning from a two-year stint at a New York investment house to start his own firm, Buffett is one of the wealthiest men in America. Berkshire Hathaway listed its net worth as $2.28 billion at mid-year. Buffett and his wife control 45 percent of the stock.

There's a certain inevitability about Buffett's media investments. Buffett's grandfather published a newspaper in West Point, Nebraska. His mother, Leila Stahl Buffett, learned to spell while setting type at the family print shop and met Buffett's father, Howard, when they worked on the college newspaper at the University of Nebraska. Howard Buffett went on to

'THE QUALITY OF football would be identical if we'd been paying 20 percent less for the rights. It's just that all the football players would be earning a little less money.'

represent Omaha in Congress for eight years and later returned home to become a stockbroker. Buffett was a paper boy for *The Washington Post* and the *Washington Times-Herald.*

Today, through Berkshire Hathaway, Buffett controls 13 percent of the company that resulted from the marriage of those two papers: The Washington Post Company. Berkshire also owns the *Buffalo News* in upstate New York and the Scott & Fetzer Co., publishers of the *World Book Encyclopedia.* His other investments include the Nebraska Furniture Mart, a huge discount furniture store in Omaha, and large shares of other retail and insurance businesses.

Although he controls the largest block of Cap Cities/ABC stock, Buffett freely concedes that ABC was not the most lucrative deal he and Murphy could have arranged. "The rest of the world probably thinks we're doing this because we think we can make more money here than anywhere else. That just isn't true. We think we'll do okay."

For Buffett, "doing okay" means consistently beating the Dow Jones average by a substantial margin. Over the past 21 years, Berkshire's net worth per share has increased from $19 to $1,644, or 23 percent compounded annually. Buffett's original investing partnership, which operated from 1956 to 1969, never had a down year. Investors who put in $10,000 at the outset collected about $300,000 when the partnership was dissolved 13 years later. So far, Buffett's gamble with Cap Cities/ABC has paid off equally well. The three million shares of Cap Cities/ABC he bought last year for $172.50 apiece were trading at over $270 by early fall.

But the future financial performance of Cap Cities/ABC may be another story. Based on a poor first quarter, Murphy has predicted that the network might lose money this year, the result of slumping ratings and stagnant advertising revenues. Shortly after the deal was cut, television advertising revenues' dizzying double-digit climb, which had gone on for more than a decade, stopped. Nevertheless, some analysts are now predicting that the network's operating profits this year may climb to over $100 million, far better than originally thought. For the moment, Buffett thinks that ABC needs to build its audience and cut costs while waiting for the advertising market to rebound.

Perhaps the most important element, Buffett says, is building the network's audience. "If we had 20 percent more audience, we'd presumably get 20 percent more revenue. There's no way you can accomplish that by cost cutting alone."

This statement may seem surprising coming from someone so close to Murphy, who is known as the great television cost cutter of all time. But Buffett is not dismissing the importance of cutting costs, particularly for entertainment programming. Like Murphy, he believes that ABC can have high-quality programming without paying an arm and a leg for it, a contention that most Hollywood production executives would challenge. "The funny thing is, better shows don't cost that much more than lousy shows," he says.

Under the old regime, ABC spent lavishly for sports programming, but that, clearly, will be undergoing drastic change in the not-too-distant future. Says Buffett: "My guess is that the quality of football would be identical if we'd been paying 20 percent less for the football rights—it's just that all the football players would be earning a little less money. Ty Cobb played for $20,000 a year. In the end, if there's 20 percent less money available for sports programming, it will largely come out of the players."

Buffett is not surprised by the decline in ad-revenue growth, though he admits he could not have predicted when it would occur. The double-digit growth in television ad revenues came about, he says, primarily because early television moguls underpriced their product, and it took years for them to find the right market niche.

"Essentially, TV had a lot of untapped pricing power many years ago, and they used it all up," he says. "They probably went a little beyond it. So the ability to price is not there to the same degree. I do not see galloping revenue gains beyond inflation in the network business; for years they were getting it and they developed a way of life that was predicated upon it. And now you're seeing an adjustment."

Buffett talks quickly, animatedly, with a flat Midwestern twang that might sound more at home at the Nebraska High School Rodeo Championship than in ABC's executive suite in New York. His fingers seem to itch for a piece of chalk and a chalkboard, the better to explain a favorite theory or two. He knows that Wall Street is watching him closely, and is circumspect in his comments about individual companies. Yet there's something almost conspiratorial in the way he talks—as if these ideas are too exciting to keep in.

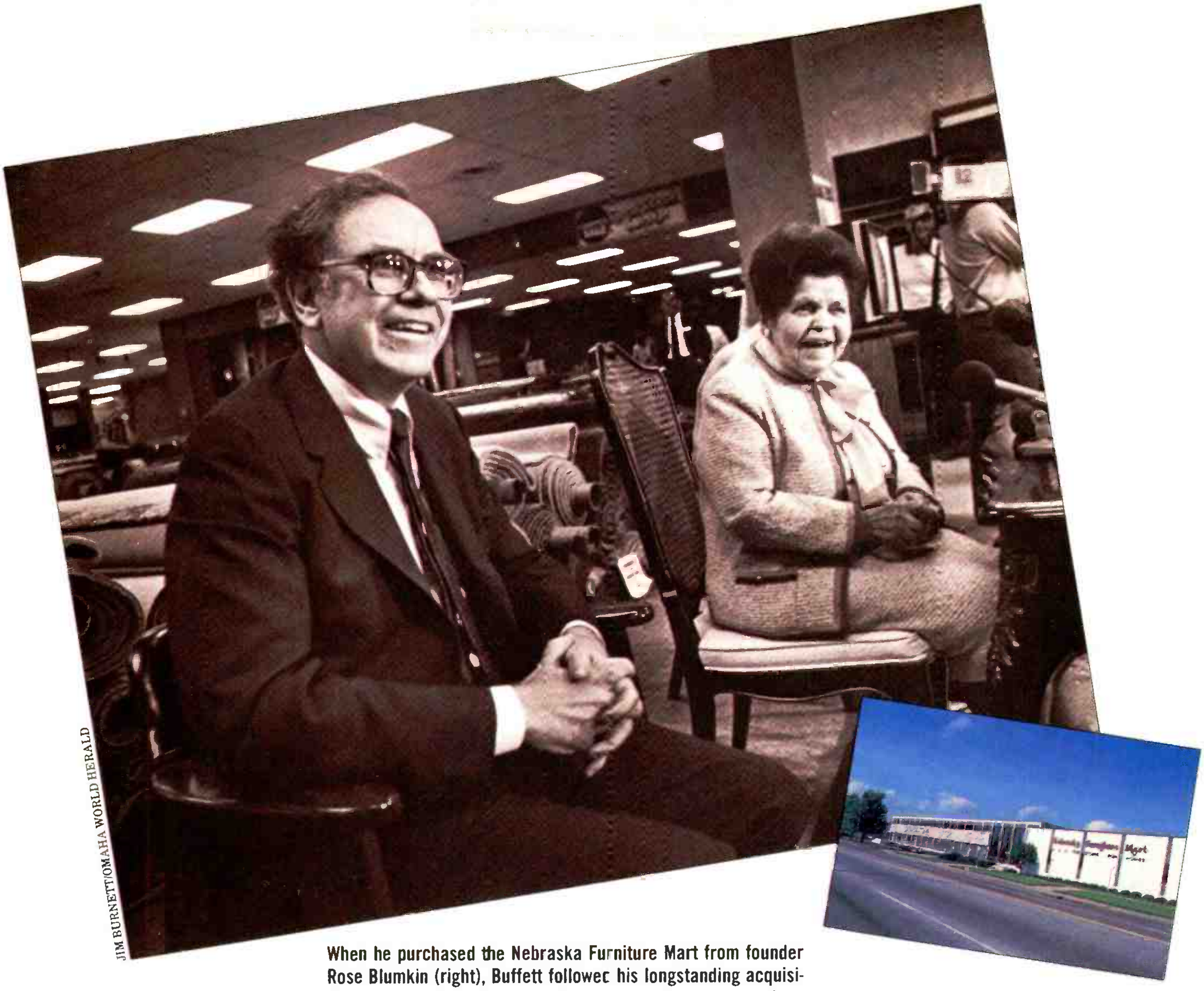
The networks, he says, are "good" businesses, not "great" businesses. They're "good" because they've got, in effect, a limited franchise on a certain segment of the market. Big advertisers need the networks to promote their products, and there's no other medium that can accomplish mass marketing in just the same way.

They're not "great" businesses, because network television's lock on the market is not complete. Even though networks don't have their profits regulated, they can't set prices at will, because advertisers have other options. Viewers don't have strong preferences between networks, as they do, say, between Pepsi and Royal Crown. And as the electronic marketplace gets wider, the franchise for the three networks gets weaker.

But the inroads cable, syndication and the VCR have made will not permanently weaken the networks, Buffett says. "The networks are still going to be a big factor 10 or 15 years from now. They're each $2 billion-plus businesses, and they're not going to get smaller in terms of dollars. They're going to get smaller in terms of share of the market.

"It's interesting how people go

Cap Cities/ABC chairman Thomas Murphy (right) introduced Buffett to the affiliates at the network's convention this past summer.



JIM BURNETT/OMAHA WORLD HERALD

When he purchased the Nebraska Furniture Mart from founder Rose Blumkin (right), Buffett followec his longstanding acquisition practice: Keep it simple. The cortract was two pages long and he did not even order an inventorv until the deal was over.

off the track on things that are fairly simple to understand. If you want to talk to an incredible number of people nationally, then the network is where you go. It moves goods. To some degree, I'm betting on the continuation of what is now. I'm not betting it will continue exactly, but I'm betting against dramatic discontinuities."

Nor is he concerned by predictions that network news will fade away, replaced by satellite-fed local broadcasts. "I've heard Stanley Hubbard talk about these things, but in the end, the networks are just going to do it better. They're going to lead with the biggest story; they have the most resources devoted to it and news sources are going to be more interested in appearing on the networks.

"I find it useful to look at the network news at 5:30. And I don't find it that useful to look at the local news. It's the same reason I read the *Omaha World Herald* to get the Omaha news and *The Wall Street Journal* to get the business news."

Buffett's contrariness is, in part, a product of his early years. His father was a Republican conservative whose political views put him in the minority most of the time. At the age of about 12, Warren went to a hometown baseball game with his father just after the elder Buffett had voted on the wrong side of a popular labor measure. When his father was introduced, the stadium erupted into boos. "He could take stuff like that very well," Buffett recalls. "He didn't expect the world to change overnight."

While he was a student at Columbia University, Buffett met the man who was to become his mentor, Benjamin Graham, author of *The Intelligent Investor*. Graham preached that investors shouldn't think about buying stocks, but about buying businesses. If the businesses were sound, regardless of the irrational vagaries of the market, the investors would eventually prosper. It was a philosophy Buffett followed closely while first laboring in his father's brokerage business in Omaha for three years, and then while working for two years in Graham's New York firm before founding his own company.

Early on—long before the rest of the investment industry—Buffett perceived that media companies were exactly the kind of properties that Graham would prize. The American economy was rapidly shedding the old ways of moving products (small retail stores, traveling salesmen and the like), which left newspapers as the primary vehicle for bringing consumer goods before the public. Until recently, media stocks were vastly undervalued, and as weaker newspapers began to die in the 1960s and 1970s, many markets came to be dominated by a single paper.

"Newspapers are a marvelous business," Buffett says. "It's one of the few businesses that tend toward a natural, limited monopoly. Obviously it competes with other advertising forms, but not with anything exactly like itself. Show me another business like that—there isn't one."

Buffett's foresight paid off—more spectacularly than even he

BUSINESS SCHOOLS, says Buffett, who isn't much impressed by them, 'reward complex behavior more than simple behavior, but simple behavior is more effective.'

expected. In 1973, for instance, he bought 9 percent of The Washington Post Company stock for $10.6 million. By the end of 1985, the investment was worth $221 million.

Buffett has refined Graham's theory in many ways over the years, most notably in his strong emphasis on good management. He believes that deals born of mutual admiration and trust, like his deal with Murphy, produce better results than those based on contracts full of legal mumbo jumbo. In the case of The Washington Post, that meant assuring Katharine Graham that he wasn't planning to take over the company. "I realize that the *Post* is Graham-controlled and Graham-managed," he wrote in a letter to her at the time he bought in. "And that suits me fine."

Buffett's 1983 purchase of a majority interest in the Nebraska Furniture Mart, the single largest home-furnishings store in the country, demonstrates another quality he likes to bring to every deal: simplicity. Buffett had been shopping at the Furniture Mart for years and was an admirer of the store's founder, Rose Blumkin, 92, one of the state's best-known entrepreneurs. A Russian immigrant who arrived in this country virtually penniless, "Mrs. B." opened the discount store in 1937 with $500 she earned from a rag business. By the time Buffett became interested, Blumkin was racking up over $100 million in annual sales.

The story of the sale, as recounted by Mrs. B., is pure Buffett: "He walked into the store and said, 'Today is my birthday and I want to buy your store. How much do you want for it?' I tell him '$60 million.' He goes, gets a check and comes back right away." (The final purchase price was $55 million for a 90 percent share.) Buffett did not order an inventory until the deal was completed. The contract was only two pages long.

Buffett has a hands-off style at the furniture store, the same policy he says he will follow at ABC. "I go out and see it about every three weeks, and then I go out for dinner with Louie [Blumkin] and the boys, and they tell me what's going on. They've never asked me whether to buy an end table or not, or what should be on sale today. They know how to run their business. So does Murph.

"Murph is a sensational manager, plus he knows way more about that business than I do. I wouldn't try and tell him, 'Murph, use a six-iron instead of a five-iron for this shot.' His listening to me is not a function of how much stock I've got. Hell, they've got all my votes anyway. You can influence people by having muscle, but the real way to influence people is by having ideas."

Another of Buffett's many stories illustrates the point. "One time we had a dog on the roof, and my son called to him and he jumped. He lived, but he broke a leg. It was awful. The dog that loves you so much that he jumps off the roof—you can put people in those situations too. I don't want to do that."

But is it fair to his shareholders for Buffett to surrender control over their money to Tom Murphy? "It might not be fair if I promised that I would run the business to get the last tenth of a percent of economic return. But I promise them I will run it to achieve a return significantly better than the average of American industry. There are plenty of decisions I make that are not based strictly on economics.

"Let's say Carl Icahn wants to buy Mrs. Blumkin's furniture business from me at a big price. Let's say it would mean another $20 million in the safe deposit. But can I go down there and fondle the $20 million? Would I have more fun doing that than having dinner with the Blumkins? I don't think so."

A classic example of Buffett's firm loyalties to an old investment was the unprofitable New England textile operation from which Berkshire derived its name. Buffett held it for 21 years, countering shareholders' gripes with the assertion that the mills were "very important employers in their communities," and that many of their employees were old and would have difficulty finding new jobs.

After the industry's dismal economics forced the shutdown of the business in 1985, Buffett mourned its loss in Berkshire's annual report, a publication that has developed almost a cult following for its pithy witticisms and down-to-earth business savvy.

"I won't close down businesses of subnormal profitability merely to add a fraction of a point to our corporate rate of return," he wrote. "However, I also feel it inappropriate for even an exceptionally profitable company to fund an operation once it appears to have unending losses in prospect. Adam Smith would disagree with my first proposition, and Karl Marx with my second; the middle ground is the only position that leaves me comfortable."

Indeed, Buffett seems an odd man to be so deeply enmeshed in a world that measures success in dollars and cents. He doesn't enjoy spending money on himself. His office suite in Omaha, which he jokingly calls "The Pleasure Palace," looks like a small-town insurance office. The wallpaper and carpets are beige, and the storeroom is filled with the staples of Buffett's phoneside lunches—Hawaiian potato chips, Cherry Cokes and chocolate candy made by See's, a company Berkshire owns. On the walls are copies of stock quotations from the 1929 crash, a portrait of Buffett's father and a plaque that reads: "A fool and his money are soon invited everywhere."

"Money, to some extent, sometimes lets you be in more interesting environments," Buffett says. "But it can't change how many people love you or how healthy you are."

Then what to do with the fruits of his labor? Though Buffett has three grown children and keeps photos of his grandchildren on his desk, he's not planning on keeping most of his money in the Buffett line. "The idea that you get a lifetime supply of food stamps based on coming out of the right womb strikes at my idea of fairness," he says.

The answer for Buffett is a charitable foundation. To date, he has focused most of his efforts on arms control and efforts to slow world population growth. (A pad of notepaper on his desk reads: "In the event of a

AP/WIDE WORLD

Mentor Ben Graham said investors should ignore Wall Street and pick businesses that are basically sound.

RENI NEWS PHOTO

OMAHA WORLD HERALD

The son of a Congressman, young Warren (above, second from left), appeared on a Washington radio station with Senate pages to discuss the problems of Congress. Buffett made his first investment, in Cities Service, with his sister Doris (right).

nuclear war, disregard this message.") These are issues, he says, that are both underfunded and the prime problems of mankind. "If we don't solve them, we don't have a world."

Buffett is slouched in the restaurant booth, polishing off the last of his strawberry ice cream. He has enjoyed his attack on conventional wisdom and now he is warming to another favorite subject. He reserves particular contempt for the three accoutrements most modern executives consider essential for success—computers, calculators and a business-school degree.

These things, Buffett believes, get people all tangled up thinking they have a concrete answer to an unanswerable question. "If you need a calculator or a computer, you've got no business playing the game. Murph didn't use a computer to figure out what to pay for ABC."

Buffett laments the fact that Ben Graham's work isn't taught at Columbia anymore, because, he says, "it's not difficult enough. So instead, something is taught that is difficult but not useful. The business schools reward complex behavior more than simple behavior, but simple behavior is more effective."

Buffett finds most short-term stock market predictions equally useless. They usually fail precisely because no one can pretend to measure the one factor that counts most: investor psychology. "The fact that people will be full of greed, fear or folly is predictable," he says. "The sequence is not predictable."

Buffett cheerfully admits that he's not a big television fan either. He watches the egghead shows—*This Week with David Brinkley* and *Adam Smith's Money World*, as well as the news and an occasional Clint Eastwood movie. He has promised his friends at Cap Cities/ABC that he'll try a sitcom or two this fall, but his heart is not really in it. "I take reading home with me every night, so I'm not going to get hooked."

Buffett does have a few definite opinions on programming—views that may provide insight into the tastes of his friend Murphy. At the Cap Cities/ABC affiliates convention in Los Angeles last summer, Murphy and Buffett sat together during the screening of the pilot for a cop show called *Heart of the City*. In it, a 14-year-old boy tells his father about his first sexual conquest. Did the scene make Buffett, as a father and grandfather, uneasy? After all, he will be partly responsible for sending the show into millions of homes this fall.

"I don't see anything wrong with sex on television," he says, "but there ought to be a few shows where the gal says no."

It is late, and most of the other diners have watched the Missouri River fade in the gathering dusk and are drifting out onto the sidewalks of Omaha's downtown. Buffett joins the lighthearted crowd, an unhurried, private man, strolling toward the old Union Pacific station. It is difficult to imagine anyone in distant New York, least of all the managers at Cap Cities/ABC, feeling threatened by this majority shareholder. He is undeniably one of the most savvy media investors of his age, but Buffett also appreciates that what he does not know about the business is at least as great as what he does know. He will leave the important details, the day-to-day decisions upon which a network rises and falls, to the people he trusts—Tom Murphy and associates.

And they, in turn, will be wise to trust him. Buffett fully intends to wait this one out from the distance. Indeed, as he walks away in the Omaha twilight, he seems the very picture of patience, a man thinking of tomorrow and of new ways to make a complex world simple again. ●

Star Inc.

When a hot new face hits Hollywood, phones start to ring. Managers talk to agents. Agents talk to producers. Producers talk to studios. Studios talk to networks. Case in point: Corbin Bernsen.

by Michael Schwarz

It was one of those bleak February days in New York City and a young actor named Corbin Bernsen was taking a break from acting classes to audition for the part of Arnold Becker in NBC's prime time series *L.A. Law.* "There was a blizzard the day I met Steven Bochco [cocreator of the series] in New York—literally the worst day of the winter," Bernsen recalls. "I was too busy riding subways and being unhappy to understand the part. We both knew I was wrong for it. So we shook hands and said thank you."

A few months later, in the spring of 1986, Corbin Bernsen moved to Los Angeles. The change of climate had a salutary effect: "I was riding around in my jeep with the top down and the sun beating down on my head," recalls Bernsen. "Girls were going by in cars smiling at me and I was smiling back and all of a sudden I said to myself, 'This is what Arnold Becker is!' I suddenly understood that he's a free-loving, happy-go-lucky lawyer, hair blowing in the wind, girls driving by in cars, smiling at them."

Bernsen called NBC and said, "I got it now, I know this guy. I gotta read again."

A shiny new burgundy Corvette glides up Santa Monica Boulevard in the summer sunshine and stops opposite Dukes, a no-frills eating joint known for its unpretentious atmosphere and the best breakfasts in Hollywood. Bernsen emerges, smiling. He's glad he's here; things are going his way. He landed the role.

Inside the restaurant, a peckish Hollywood brat asks Bernsen in her most patronizing voice whether he's "another one of those aspiring actors." "Not anymore," he smiles. Corbin Bernsen talks like a man for whom the struggles of New York are a quickly receding memory. Here in Los Angeles, he knows he's arrived—and he welcomes the changes that occur when a virtually unknown actor bursts suddenly into the limelight after 15 years in the shadows.

Bernsen isn't entirely a stranger to television. He once had steady work playing Ken Graham, a policeman in the soap *Ryan's Hope.* But his greatest exposure came not from acting but from advertising: For a year and a half, Bernsen's rugged good looks were featured prominently in magazine ads and on billboards across the country. He was the Winston man, a symbol of everything a man could be if he smoked the right cigarettes.

Bernsen had an agent in New York, but his career was not exactly barreling ahead. He spent most of his time studying acting and teaching classes here and there on "cold reading" and improvisation. As recently as 1983 he was down to $12, remembering the stories his father had told him about going into the Automat and getting free tomato soup by add-

Michael Schwarz, a documentary producer and free-lance writer, recently received a Fulbright Lectureship Award to teach broadcast journalism in Asia.

BONNIE SCHIFFMAN

In 1983 Corbin Bernsen (background) was down to $12. Now he's in prime time, drives a Corvette and has a staff of six to look out for his needs. The struggles of New York a receding memory, Bernsen looks over the team he's assembled (from left): Agent John Carraro, publicist Frank Liberman, business manager Anne Brown Culp, personal managers Lori Lew (assistant), Miles Levy and Randy James.

ing hot water to ketchup. The Winston ads forestalled that necessity, but they weren't exactly what Bernsen had in mind when he first set out to be an actor.

So when one of Bernsen's friends, Randy James (who was then in charge of ABC's casting department in New York), decided to move to Los Angeles to open a personal-management business with partner Miles Levy, Bernsen was receptive to the suggestion that he become their client.

It was two weeks after he arrived in Los Angeles that Bernsen went back for a second audition. From the day he signed to play Arnold Becker, Bernsen became a hot property in Hollywood. So hot that months before the show's network debut, on the strength of the pilot alone, Bernsen was being talked about as one of Hollywood's newest stars. And that means he is no longer just an actor: He has become, effectively, Corbin Bernsen, Inc.—a business in his own right.

"For me there's the business and there's the work," says Bernsen. "I prefer doing the work. I can't sit down and read a contract and thoroughly understand everything, so it's worth it to me to give somebody a nice chunk of my money to do that part for me."

Paying other people large sums of money to do "the business part" for them is a common practice among actors. As a result, Hollywood has spawned a behind-the-scenes industry devoted exclusively to one enterprise: making the stars, and making the deals that put the stars on the screen. This is the star business, and its day-to-day mechanics are the nuts and bolts of Hollywood.

When a relatively unknown actor like Bernsen lands a starring role in a major network series, an extraordinary phenomenon occurs. Hollywood starts to buzz with the news that there's a new name around, a new face, a big talent. Slowly at first, then with rapidly accelerating momentum, phones begin to ring. Managers talk to agents. Agents talk to producers. Producers talk to studios. Studios talk to networks.

In this atmosphere, restraint is not a high priority: "We're spreading the word throughout the city that we represent him and we think he's the second coming of Christ," says agent John Carraro of one of his newest clients, Corbin Bernsen. "Honestly," he insists, as if to make clear that he would never compromise his client by understating his talents.

Eventually, the excitement becomes contagious, and a deal becomes inevitable. Deals are the fuel that keeps the star machine running. That's because every

'I feel like a race car driver and they're the pit crew. Without them, I can drive as fast as I want down Mulholland and it doesn't mean a thing.'

time an actor cuts a deal, lots of other people get some of the money. Personal managers typically take 15 percent of the star's gross income. Agents get another 10 percent. Business managers can get 5 or 6 percent and lawyers another 5 percent, unless they're paid an hourly rate. Then there are publicists, makeup artists, wardrobe advisers, hair stylists, caterers and the like. All together, they can devour up to 50 percent of a star's gross income.

"Everybody around me is a team," says Bernsen. "I feel like a race car driver and they're the pit crew. I'm the one who has to get out on the track and perform, but unless the wheels are put on properly, unless the car is maintained, unless I have a guy entering me in races, I can drive as fast as I want down Mulholland and it doesn't mean anything. We're a team, and I'm no more important than anyone else on it."

Not exactly. The other members of the team may increase Bernsen's chances of success and minimize the risks of failure, but Bernsen alone landed the part in *L.A. Law*. And it was only because of that success that he was suddenly in the position to hire people all over town.

Anne Brown Culp, who specializes in handling other people's money, was recruited as Bernsen's business manager. As a star in a network prime time series, Bernsen suddenly has a lot more than $12 in his pocket. His income now puts him in the top percentile of all wage earners in the country. To avoid having his wealth taxed exclusively as personal income, he had his lawyer file incorporation papers under which he became an employee of his own corporation. He called the business Team Cherokee Inc., a tribute to his Indian heritage and a reminder of his belief in the importance of others. It was Bernsen's lawyer who suggested that he meet with Culp.

For an hourly fee, Culp handles all of Bernsen's affairs, from filling out credit card applications to paying bills and providing detailed financial and income statements about both Team Cherokee and Bernsen. Since Bernsen is an employee of the corporation, Team Cherokee pays all business expenses. It also provides him with a pension plan and lower tax rates, since his salary can be parceled out as a small monthly allowance in a way that minimizes his individual income tax.

Culp also advises Bernsen on the best way to invest his assets: "My job," she says, "is to make money for my clients and to save money for my clients. I'm there to help Corbin build for tomorrow. This is a boom-and-bust industry. If the series is canceled or he's suddenly disabled, I want to make sure he's taken care of, that the money will still be there. Too many stars think their success is going to last forever; they don't see an end to it. But then their show is canceled, and they've spent all the money they've made. It's not always easy to walk into another half-million-dollar-a-year job."

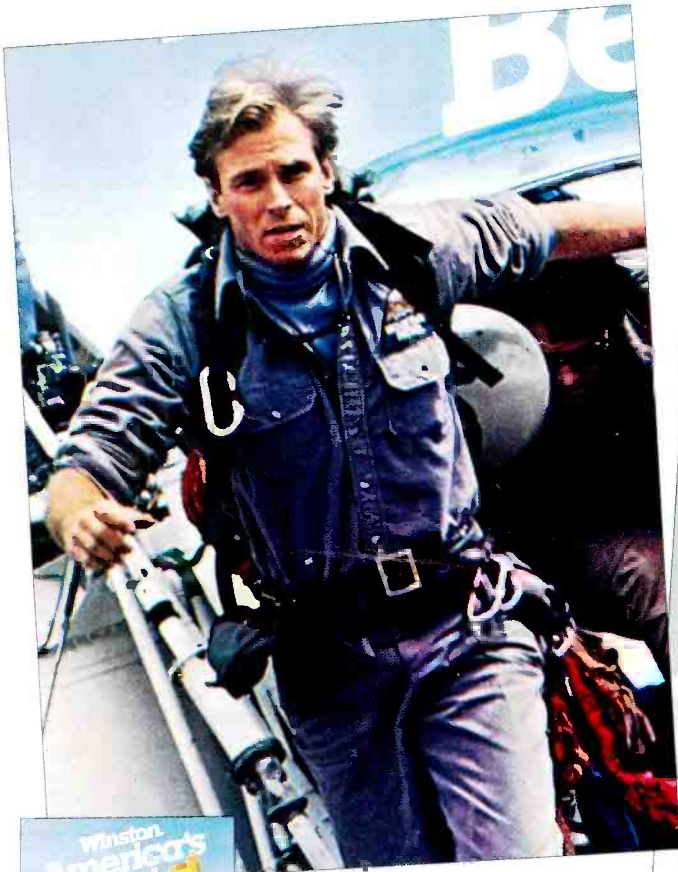
Bernsen and Culp have decided that his best protection from a similar fate is to maintain at least a six-month reserve for fixed and ordinary living expenses. They are also looking for investments that will appreciate in value, since the new tax laws have eliminated the appeal of paper losses from tax shelters. "I'll get very secure things like bonds to start off with," says Bernsen, "but most of my stuff will be real estate. My plan is to buy as many vacant lots as I can so at least if this show doesn't work out I'll still have vacant lots."

Bernsen is planning to buy some lots in Maui with *L.A. Law* costar Harry Hamlin. "I want land, land," he emphasizes. "It's real . . . estate. It's there, it's solid. In the second year, maybe I'll start building on some of these lots. If I have the capital, I'd like to start a company, Cherokee Productions, something like that. I'd like to hire writers to develop scripts that the company can produce. This whole business is like a Monopoly game."

The idea is not as farfetched as it might sound. While Bernsen's business manager is busily figuring out how to put Bernsen's money to work most efficiently, the other members of Team Cherokee are taking a percentage of the corporation's income in return for doing their part to increase its overall assets.

"You make more money so you spend more money," says Bernsen. "And like any corporation, this one needs to spend money to develop future business. I hope it can put me in a position to do what I want to do."

One of Team Cherokee's largest expenditures is for the services of Bernsen's personal managers, Levy and



From Winston Man to *L.A. Law*—and maybe back again: *Moonlighting*'s Bruce Willis will earn $5 million from Seagram's; *St. Elsewhere*'s Mark Harmon makes a mint pushing Coors beer. Will Bernsen go back to commercials for big bucks? "There's nothing wrong with doing endorsements," says personal manager James, "as long as they're carefully selected."

James, who organize everything from apartments to auditions. "If there's ever a problem," says Levy, "we take care of his whole life."

"I work incredibly closely with my manager," Bernsen says. "We talk about every decision. We have meetings and say, 'Well, do you like this person, what about that person?' That's why I decided my manager had to be a friend."

When Bernsen landed the part in *L.A. Law*, his managers' confidence in him began paying off. The once quiet phones started to ring. Agents had heard the word about the hot young actor, and they all wanted to sign him. One of the agents who called was John Carraro of Agency for the Performing Arts (APA), which represents Harry Hamlin. At the time, Bernsen felt his New York agent couldn't accommodate his needs anymore. The best way to take advantage of the visibility the series would give him, he thought, was to find a Hollywood agent.

That opened the door for Carraro. "I knew the role in the script," he says. "I knew how good the script was, I knew the people involved in the series and I'd heard good word-of-mouth. Those things in combination can make a lot of sense."

Carraro says Arnold Becker is the "breakout role in the pilot . . . There has to be a likeability factor in any television star," adds Carraro. "For the television audience to welcome you into their homes on a weekly basis, you have to have that quality. Corbin does. Corbin doesn't play the most sympathetic character, but he brings a warmth to the role that's truly remarkable. Arnold Becker's a shit, but Corbin's performance makes him a compelling character."

Carraro sold Bernsen on APA by taking him and his personal managers into a board meeting with the main agents from the company's various divisions: literary, talent, variety, music. In addition to acting, Bernsen is eager to write his own films, and already has several screenplays to show. Carraro and his colleagues talked about another client, Martin Mull, who has moved beyond acting to live performance and record albums, and is now writing and directing his own shows.

"I told Corbin we were a full-service agency," says Carraro. "If he wrote scripts, I would read them all. I would assign a literary agent to him here. I told him it was important to obtain representation to start spreading the word . . . that people needed to get to know him through a body of work . . . that so-and-so feature producer needed to know who he was even before he got on television. I told him we were a great bunch of people." Bernsen signed.

And even though he's involved full time with *L.A. Law*, his new agent immediately went to work for him. "Together, we designed a kind of road for him to follow here," says Carraro. "He starts at *L.A. Law*, it's a hit, and then we look for a very fine feature during hiatus—either a great supporting role, or a starring role."

Bernsen has already managed to find time to act in one independent feature, *The Sofia Conspiracy*, between the completion of the pilot for *L.A. Law* and the beginning of weekly production for the series. Now that Bernsen has the role in a weekly series, Carraro hopes he can turn up others: "We're looking for a great part in a great movie—an A role in an A feature. That will give Corbin a viability in two marketplaces, which is essential to longevity in a career.

"A big part of my job," he continues, "is educating feature film people that this guy's a terrific actor, a terrific personality and it will be their loss if they don't eventually cast him in a feature."

The desire to break out of television and into feature films is a common one. *St. Elsewhere*'s Mark Harmon, for instance, made the break from the series into made-for-TV movies and recently finished his first feature for Paramount. Alan Alda started in television; so did Clint Eastwood, Michael J. Fox, Shelley Long, Ted Danson and a host of others.

For an actor like Bernsen, features offer a chance to play roles with greater complexity than those normally available to television stars. They also have an international reach that many television shows do not attain. But for the moment, says Carraro, Bernsen would probably earn more doing a made-for-TV movie than a feature. "The networks need an endless supply of stars for their television movies, and they'd probably pay him more than he could get for a feature because he's already established as a star on television." It's common for stars in made-for-television movies to get $200,000, according to Carraro. "For four weeks' work," he suggests, "that's not bad at all."

Whatever he decides to do during hiatus, Bernsen plans to go back to *L.A. Law* if the series is renewed. "If he hadn't been cast in *L.A. Law*," says Carraro, "people wouldn't be talking to me. There's an approval factor—because Bochco said yes, that means 60 percent of the producers in town will say yes."

No matter how many producers say yes, no star can survive without the public's approval. "Television requires you to be a personality to a degree—a personality, not an actor like a film actor, says Bernsen. It requires you to be a personality whom the audience wants to see, because that's what brings in your ratings, that's what keeps your job."

To make sure he does the optimum amount and kind of publicity, Bernsen recently added another player to the Team Cherokee roster: Frank Liberman, a veteran Hollywood publicist who has represented Bob Hope for 35 years and Phyllis Diller for 21 years. "Most of the people around Corbin are young," says James. "We went with Frank because he gives us another perspective on how to handle publicity."

"As soon as I saw him, before I saw the pilot or anything, I thought this is going to be a star," says Liberman. "He has charisma, an honest look, great blue eyes, just magnetic. We're going to grab it all, hopefully. Generally speaking, publicity can't make anybody an overnight star, but it sure as hell can help."

'It's video Darwinism,' says the network publicist. 'We like to have everybody be a star, but someone is going to emerge who has the spotlight.'

Liberman believes Bernsen is a throwback to the leading man of the '30s and '40s: "He looks like a movie star, and the way they dress him, in these $750 suits, he looks fantastic. I think he's going to do a lot for double-breasted suits," he says.

To help make sure the ratings for *L.A. Law* are strong, NBC's own publicity machine has also gone to work. Where Liberman's job is to look out for Bernsen's interests, the network wants to make sure the show itself is a hit. One indication of its support was the unprecedented decision to show the pilot twice in the fall before beginning the show's regular run. ("No group," notes Liberman, "has ever gotten residuals faster.")

NBC's Brian Robinette is responsible for the show's publicity. "The network's main goal is to build the biggest possible audience for the program. To do that, we determine who's most marketable. In reading the script and watching the pilot, it became evident that Corbin's character was one of those that stood out."

NBC vice president Gene Walsh distinguishes between publicizing the show to the critics and publicizing it to the general public: "With the critics, Steven Bochco is really the best name we have to promote the series. But the public for the most part doesn't know Bochco, and to attract them we have to show them why they're going to like our stars. We'll know who they want to see more of by the requests for photos that we get."

Robinette sent pictures of several of the program's stars, including Bernsen, to 1,200 newspapers, and has hopes of seeing color photos of the principal cast members on the covers of most of the nation's 250 Sunday television supplements. About a month before *L.A. Law* debuted, NBC launched promotional spots on its 206 affiliated stations which featured Bernsen or other cast members.

"We don't go out of our way to say, let's make this person a star," says Robinette. "We'd like to have everybody, obviously, be a star. But having said that, it's almost natural—it's a form of video Darwinism—that someone is going to emerge who has the spotlight.

"We can't take a proprietary interest in one person over another," he adds. "But any stars reflect positively on the shows. It's a symbiotic relationship, especially when a show is new. Stardom helps the star, and it helps the show, too."

Becoming rich in Hollywood doesn't depend on acting skills alone. Having established their names in a weekly series, some stars take advantage of their fame by signing lucrative product-endorsement deals. *Moonlighting*'s Bruce Willis stands to gain about $5 million from his contract with Seagram's liquors; *St. Elsewhere*'s Mark Harmon used his relationship with Coors beer not only to bolster his bank account but to present a different image to the public.

While Bernsen wants to concentrate on acting, none of his teammates is prepared to rule out similar arrangements for him. "There's nothing wrong with endorsements," says James, "as long as they're carefully selected. The money's hard to turn down." Adds Carraro, "If we wanted to change the image of Corbin presented by the series, we'd consider going after a product endorsement. But for now we would just consider commercials on an offer-by-offer basis."

Ultimately, the power to choose is Bernsen's alone. As Carraro puts it, "You can't blame greed just on the machine. You have to blame the actor as well, because the actor is sitting there saying yes, yes, yes, instead of no."

It is too early to predict what will become of Corbin Bernsen. Randy James says that Bernsen's story is testimony to the power of perseverance: "He was plugging away in New York, so broke he couldn't pay the rent, sleeping on other people's floors, and then his entire life turned around overnight. The longer you can suffer through the hard times, the better your chances that your faith in yourself will finally pay off."

If Team Cherokee's efforts do pay off, Bernsen might be able to realize his dream of starring in productions based on his own scripts, and even, as he puts it, "get to the point where I can say I've got enough now. The world's in big trouble, and I'd like to turn over some of my money to help make it a better place." But if *L.A. Law* isn't a hit, then this time next year, all the members of Team Cherokee may be looking for other work. ●

The Wright Stuff


ANDREW POPPER

It's a daunting task: inheriting Grant Tinker's desk and a number-one network. Can GE's Bob Wright pull it off?

by L.J. Davis

Robert C. Wright is the first to admit that he faces a daunting task. The 43-year-old General Electric executive who inherited the presidency of NBC in August has remarked that it is similar to assuming the leadership of the New York Mets, although in truth Wright's task is considerably greater. With the GE acquisition of RCA complete—at $6.3 billion, it was the largest nonoil merger in history and, in the view of at least some stock analysts, a fantastic bargain for GE—NBC now becomes one of only three subsidiaries of its new corporate parent.

The formidable GE chairman and CEO, John F. Welch, has assumed the network chairmanship, a certain sign, it is said in the financial community, of the great importance Welch attaches to the continuing success of the venture. (On Wall Street it was noted that the principal reason GE had laid out cash for RCA was to obtain NBC.)

As has become customary at times of merger and management change, Wright says he plans no cuts in NBC personnel. (Capital Cities said much the same thing when it took over ABC.) GE has a richly deserved reputation for eliminating underperforming divisions and superfluous employees, and significant changes, particularly in the network's programming costs, are widely expected. Still, for now, Wright might be as good as his word. GE and NBC have few overlapping functions and few obvious corporate redundancies. More importantly, GE and Wright have before them the instructive example of the turmoil and demoralization that hasty and ineptly orchestrated cost cutting created at the other two networks. Wright readily acknowledges that the task before him is intimidating.

Wright says that bringing down program-production costs is just one item on his agenda. "I didn't come here to be a cost-reduction agent," he says. "That's not what I do. I want to grow the business. My objective is to strengthen us for the future."

At the network, he inhabits the desk, if not the shoes, of Grant Tinker, the closest thing to a secular saint that modern network television has ever produced. He also inherits Tinker's young programming chief, Brandon Tartikoff, whose continued services, considered vital, are secured by a three-year contract. Yet in an industry where no one can claim the formula for sustained ratings success, Tinker has given Wright something vastly more intimidating than his own mantle: a TV network rebuilt from its own ruins and triumphantly in first place.

"That's awful," says one industry observer. "If you take over someone else's phenomenal success and screw it up, you might as well put your own head in the basket. When something like that happens, they take no prisoners."

In 1985, a miserable year industrywide for network revenues, with advertising

L.J. Davis' last article for Channels *was on Cap Cities/ABC.*

'**THE ULTIMATE** irony here is that you have a creative executive with a bear-trap mind, and he's been put into a situation where his success is dependent on half-hour sitcoms.'

money drying up and a struggling ABC cutting rates in all directions, NBC posted record profits of $333.2 million, up 54 percent from the previous year and a far cry from the dangerously low $41 million in 1981, the year Tinker launched his rescue mission.

Welch had urged Tinker to stay on, but Tinker had been two thirds of the way out the door for almost a year, eager to return to California and the production business. Tinker had urged that his successor come from within the company, perhaps either Larry Grossman, the head of news, or one of the troika of group vice presidents—Bob Butler, Bob Walsh or Ray Timothy. But if Welch could not have Tinker, he wanted to put a man of his own at NBC. The man in question was Wright, whose only television experience was less than three years at Cox Cable, ending in 1983. "The ultimate irony here," says one industry expert, "is that you have a creative executive with a bear-trap mind, Bob Wright, and he's been put into a situation where his success is dependent on half-hour sitcoms."

At GE, Wright was known as a quick study, a man who could grasp the fundamentals of unfamiliar operations in remarkably short time and let little grass grow under his feet. Like Tinker, he was considered a consummate manager and a remarkably decent man. "Bob Wright," says David Van Valkenburg, a Wright recruit at Cox who succeeded him, "is the kind of guy who can fire you and make you like him for it." Tinker's celebrated low-key management style had consisted of hiring good people and staying out of their way. "Wright will surround himself with a strong, bright team and let them do their thing, just as he did at Cox," says Van Valkenburg. "He will not meddle in day-to-day details. But if something goes wrong, he'll do what he has to do."


NBC

Tinker: TV's secular saint

Wright experimented with interactive cable and joined in a pay-TV service called Spotlight while at Cox. The former did not succeed, like most experiments with interactive technologies, and the latter made no money, but he had clearly grasped the possibilities of the medium. By the time he left Cox, Wright, a man with no prior experience in cable, had become a respected industry spokesman.

At GE, a company that rarely spoils its executives, Wright is described as Jack Welch's protégé and probable successor. Wright first joined GE in 1969 as a young lawyer in the transformer division and then left after a year to clerk for a federal judge and to practice law. He returned as a lawyer in the plastics division just as it was poised for a turnaround, inspired by division chief Jack Welch, large infusions of GE money and a miraculous new product called Lexan.

They thought well of him at plastics and he ran sales, strategic planning and one of the engineering units. In 1980, in a prepositioning move as GE maneuvered to acquire Cox Cable, Wright assumed the presidency of the Atlanta company, staying on after the deal fell through. He left only when, in the view of one analyst, "the Cox family pulled the rug from under his feet by taking the company private." He returned to GE a second time, as vice president of housewares and audio and eventually fetched up at financial services, a subsidiary that contributes a fifth of GE's earnings. During his tenure there, Wright bought the investment banking house of Kidder Peabody & Co. and oversaw the assimilation of Employers Reinsurance Corp., widely considered the crown jewel of GE's recent acquisitions.

"When I first heard that Wright was moving to NBC, I thought, 'Hey, wait a minute, he's going to move from running 20 percent of the company to a subsidiary that could contribute five percent.' It seemed like the ultimate step down," says former GE executive Nicholas Heymann, an analyst at Drexel Burnham Lambert. "Then I did a little digging and realized that running NBC was the ultimate challenge. It's climbing K-2 without oxygen. That's why they put Bob Wright there."

But if Wright was some sort of wonder executive—and his track record spoke for itself—he was also a very specific kind of executive, a member of the GE hierarchy. "Jack Welch and his team," says one analyst, "are the smartest bunch of Republicans I ever met." They would not tolerate money-losing operations, but they might pour in funds where they saw potential, as they had in plastics. At other times, they were less inclined to be merciful. "One day there was a steam turbine division with 6,500 people on the payroll," recalls Heymann. "The next day there was no steam turbine division."

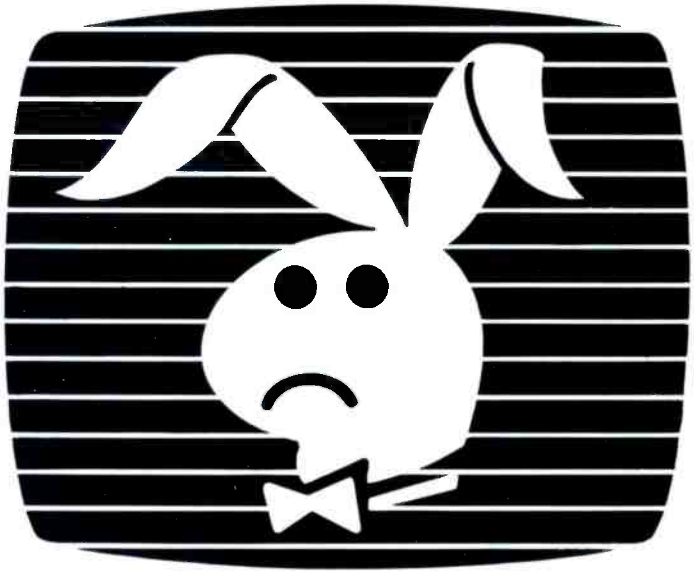
While at the housewares division, Wright sold the small-appliance operation to Black & Decker.

"When I was there," Heymann says, "everybody knew small appliances weren't making money, but everybody said, 'Hey, we'll never sell out because toaster ovens and coffee makers bring good things to life, not nuclear reactors and jet engines.' But there was no way Bob Wright was going to hold on until he had to take a $200 million write-off, the way we did when we had to get out of television manufacturing. By selling to Black & Decker, Wright got small appliances' money out at book, and Black & Decker found that it had to shut down every one of the GE plants they'd bought, which was expensive because they're all unionized. It was a brilliant move."

At NBC, the news division was losing a reported $40 million a year despite its recent success in the ratings. And like its competitors, the network was taking a beating in sports programming and squirming at major producers' prices for prime time shows. In the current season, NBC has great hopes for *L.A. Law*, co-created and produced by Steven Bochco, a man with a reputation for battling with broadcast standards, for obsessively maintaining the integrity of his vision and for his liberality in budget matters. "At GE," says one knowledgeable observer, "everybody rides on the same bus. There are no prima donnas. There's no way they'll tolerate behavior like that."

"As I read the situation," says Heymann, "Wright's main job is to figure out how to crack the nut when the controls come off network programming in 1988. He needs to produce an episode of *Miami Vice* for $500,000, which is what it ought to cost, rather than a million and a half." Though NBC was probably the leanest of the three television networks before the well-publicized cutbacks elsewhere, it was, well, a television network, and television networks have not been known—until recently—for the thinness of their corporate ranks.

"That doesn't mean that he [Welch] is going to move in on NBC with a meat ax," Heymann says. "If that was the case, he would have sent in a regular operating guy instead of Wright. They know the situation is sensitive, that they're in a glass house and that they have a duty as a corporate citizen." ●



Can Playboy Save Its Skin?

They've softened the programs and hardened the sell, but it may be that nothing can help a great idea whose time has passed.

by Mark Frankel

No venture in the short history of cable television has been as controversial as the Playboy Channel. From the start it has proved as conductive as a lightning rod, attracting continual storms of protest and vituperation from opponents who condemn its glorification of nubile young women and open sexuality, the touchstones of Hugh Hefner's sybaritic drive and vision.

These days, however, Playboy Channel executives feel little like frolicking in the hot tub, if indeed they ever did, as they contemplate their declining fortunes. The Playboy Channel has big problems—even management says so, while insisting in the same breath they're not as close to collapse as outsiders say.

"Almost to a person, people in the industry think we're going out of business," admits Que Spaulding, president of Playboy Program Distribution Inc. "We continue to see promise in this business, and we're putting much effort into making video a very important part of the overall Playboy organization." This past summer Playboy trumpeted a last-ditch marketing blitz to turn around the channel, which lost $4 million on sales of $21.5 million last year.

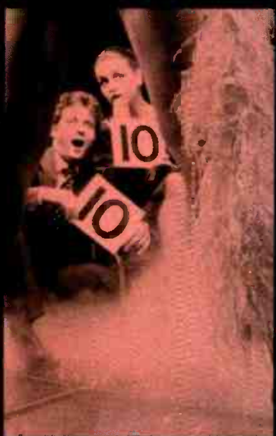
That explanation is as skeptically received by some industry watchers as the traditional "I only read it for the fiction" line. "It's clearly a flawed concept. It's not going to survive," says Anthony Hoffman of the Union Bank of Los Angeles. "It's just another rathole. I

Mark Frankel last wrote for Channels *about the Home Shopping Network.*


PLAYBOY ENTERPRISES

Que Spaulding

Spaulding took over a cable service that couldn't decide between "sex on demand" and yuppified soft porn.



Playboy programs like *Fantasies* (top) and *Strip Off* (above) are not real audience grabbers . . .

don't know why they keep it going."

It's too early to pronounce the Playboy Channel dead, but the long-term outlook isn't strong. Its problems go beyond the hard times plaguing the pay-TV industry. Playboy's focus on bare bosoms and sophomoric blue humor has attracted well-publicized protests from across the political spectrum; the prolonged uproar that usually besets local cable systems launching it has convinced many large multiple-system operators (MSOs) that it's not worth carrying. Others yanked Playboy after being threatened with obscenity lawsuits by local prosecutors. As a result, Playboy is locked out of 75 percent of cable-equipped homes.

The Playboy Channel has also suffered from internal management conflicts and rash programming changes that pushed its subscriber turnover rate, or "churn," to an industry high of 9.5 percent per month. Business continued to grow only as long as new systems could be found to launch the channel. But since peaking at 800,000 subscribers in 1985, its customer base has diminished to only 650,000.

While the Playmates showcased in its pages and videos are ever young, Playboy Enterprises Inc. shows some serious signs of sagging as it nears middle age. Changing social attitudes toward sex over the past decade have rocked Hefner's empire, leaving it financially wobbly. Playboy Enterprises lost $62 million last year on revenues of $181 million as its management tried desperately to reposition it in the market. Once widely admired as a cult figure, a guy who had it all, Hefner today is regarded as an aging roué, and his Playboy Philosophy has little place in the lives of young Americans facing two-career marriages, sky-high mortgages, lowered expectations and hysteria over AIDS.

"The Playboy idea is kind of outmoded, but you can't go to Hefner and say that, because then you're saying, 'You're outmoded,' " comments one cable expert.

Ironically, Playboy Enterprises' move into cable was hailed as the key to the company's future. Circulation for the flagship magazine had fallen sharply, and other new publishing launches had fizzled. In 1981 the company lost the lucrative British casinos that had supplied so much of its pretax profits.

"The company's growth will come from new businesses," said Playboy president and "first daughter" Christie Hefner after forming the video division in 1981. Like other companies during those heady days, Playboy made the naive mistake of thinking it would be simple to transfer its successful publishing experience to cable. Believing that the quickest way to garner a niche on the crowded selector box was on the back of an existing channel, she


LARRY LOGAN

Hugh Hefner

Hefner dreamed of attracting the upscale audience that appreciated the old *Playboy*. Instead, he got red ink.

. . . while *Sexcetera* (top) and *School Spirit* (above) are more sophomoric than sensual . . .

announced a joint venture with Rainbow Programming Services of Woodbury, N.Y., in November 1982.

Initially, the marriage seemed ideal. Playboy had instant product recognition but little TV experience, while Rainbow produced and distributed Escapade, a movie channel providing a menu of R-rated action and adult movies with 250,000 subscribers. Rainbow president Chuck Dolan had lobbied Hefner long and hard to get his hands on the famous bunny logo before Escapade was reborn as the Playboy Channel. Under their initial agreement, Playboy handled programming and production of original shows and Rainbow kept its marketing and distribution duties.

To head its video division, Playboy picked Paul Klein, a mercurial former NBC vice president. At Playboy, Klein proposed that viewers wanted "sex on demand." He quickly filled the channel's schedule with a mixture of expurgated porno films edited to a "hard R" standard and original programming such as *The Great American Strip Off*, *Hornos* and *Sexcetera*.

But not all the cleavage was visible on the tube. Klein says that he faced internal restrictions imposed by the Hefners on the "amount of heat" that could be shown. "Hefner doesn't want to recognize the cable audience as different from the magazine's," he says. "They wanted sex on television." Klein pushed to make shows as explicit as possible.

That contradicted the message brought back by Rainbow's sales staff from the field, especially after Warner Amex was indicted by a Cincinnati grand jury for obscenity in 1983 for carrying Playboy. (The charges were dropped, but Warner canned the channel in Cincinnati anyway.) "There were no operators who wanted to see Playboy become harder," one of them recalled recently. Rainbow was also disappointed by the low quality of acquired B movies and skin flicks.

The third element in an uneasy *ménage à trois* was the befuddled Hefners. "I did not get a real sense that Christie and Hugh knew the direction to go," says Sandy McGovern, a former Rainbow regional sales director. "They were caught in a bind, dealing with two totally different audiences—cable operators and consumers—something they were not used to with the magazine."

If Playboy's past success was symbolized by Hefner and his silk pajamas, the future was tied to Christie, who appeared in sensible, modest dress-for-success suits. She was expected to update the Playboy ethos for contemporary TV audiences, but failed. "Christie was responsible for making changes and couldn't get them made," says one source, adding that her father held his power tightly.

GAIL HARVEY/OUTLINE

Christie Hefner

First daughter Christie was expected to update the *Playboy* ethos for contemporary cable audiences—and failed.

. . . and series like *Hornos* (top) give new meaning to the "I only watch it for the fiction" line.

Although subscriber levels grew steadily for two years, persuading cable operators to take the Playboy Channel became increasingly difficult. Many general managers, afraid of arousing local politicians and antiporn forces, decided Playboy's incremental revenue was not worth risking their franchise future at renewal hearings. Lines of angry pickets sprang up outside the offices of systems announcing they would show it. TCI decided to offer it on its 500 systems only if local city councils requested it in writing.

Shortly after Times Mirror began offering Playboy on its 52,000-subscriber Dimension Cable Services in Escondido, Calif., in 1984, opponents started a grassroots campaign to hold a public referendum to ban it, recalls general manager William Bennett. Although voters shot the ban down, Bennett pulled the plug after only a year.

"Satisfaction levels weren't what we thought they would be, and penetration was not that high," says Bennett.

Rainbow introduced the channel to Atlanta in 1983 with a billboard campaign featuring a lingerie-clad Playmate of the Year. Howls of indignation erupted. "The billboards went up one day and down the next," recalls McGovern. A less revealing design took its place, only to be quickly defaced by local feminists.

The conflict between Klein and the Hefners became sharper after the troubles in Cincinnati. "[Hugh] Hefner used the indictment to say we were doing the wrong thing," Klein says. While Klein continued to choose shows appealing to the "soldiers, sailors and students" that research showed watched the channel, Hefner dreamed of attracting the same upscale audience that had appreciated the fiction and journalism of *Playboy* magazine in its heyday. Playboy executives say Klein forgot who owned 70 percent of the stock. He was let go by Christie Hefner in March 1984.

Yet the channel's fuzzy image problems persisted. Klein's successor, Michael Brandman, tried to yuppy-ize the format virtually overnight in April 1985. With little warning to viewers or affiliates, he switched to mainstream movies during prime time, diluting the amount of sex and nudity on the air. This only made a bad situation worse. Loyal viewers were turned off by tame programs; cable operators were angered by movies that were also available on Showtime or HBO. The churn rate temporarily shot higher, to 13 percent. Within months, Brandman was forced to go back to the old formula.

Subscribers continued to increase as long as new cable systems were launching Playboy. The video division posted profits of $200,000 on revenues of $23.7 million (including $3.3 million from home videocassette sales) during the year ending June 30, 1985. But as construction slowed down, new subscribers no longer outnumbered those dropping off, and the customer base shrank.

Declining audiences exacerbated tensions between Playboy and Rainbow. Playboy executives complained that Rainbow was not marketing the service aggressively; Rainbow's sales staff responded that Playboy was falling flat in the marketplace. "I was exhausted from defending myself and my product, being attacked morally and ethically," says McGovern. Earlier this year, the long-expected divorce between the companies became official; in the settlement, Playboy paid $3 million to Rainbow.

Contradicting industry Doubting Thomases, Playboy executives deny that the Playboy Channel is on the verge of cable interruptus. "We did not go forward with the Rainbow deal without a strong signal from affiliates that there was a market niche and growth potential for us," says Dick Sowa, president of Playboy Video Corporation.

"Sex on demand" is no longer the slogan around the Sunset Boulevard offices. The channel's appeal, according to the current regime, is based on "glamorous women, titillation, elegance, good production values, good entertainment, good fun." Though the terms have changed, Playboy's reliance on nudity and sex have not. Now that production and marketing are under one roof, Playboy has begun a marketing blitz that will include a slick, 16-page monthly program guide mailed to subscribers, and ads in *Playboy*. (Research shows that 60 percent of viewers were magazine subscribers.) Four regional sales directors will be added to the staff to oversee telemarketing and other sales efforts. Scrambling the signal will bring down the curtain on the dish owners' free show. Playboy has also announced that it will hike the fees it charges operators to receive the channel. The extra revenues will be spent on better original programming.

If Playboy can increase its penetration from the current 6 percent to 10 percent or more, "then we become a compelling economic proposition" to operators, says Playboy's Spaulding. "You'll see a lot of markets open up . . . If we had the same access as the Disney Channel we'd have over 2 million subscribers" even at current penetration.

Spaulding believes other market trends help Playboy. "We're now seeing the complete unraveling of multimovie, multipay," he says. That's good news for Playboy's unique product, which can be sold alongside a broad-based movie service like Home Box Office or Showtime. Second, Spaulding argues, Playboy will always represent extra money over and above basic rates in operators' pockets. "I've never known an MSO to budget for less revenue next year than this year."

A lingerie-clad Playmate on an Atlanta billboard came down after one day when protesters complained about the channel.

Anti-porn demonstrations like these in Woodland and Houston, Texas this fall have helped convince cable operators serving 75 percent of the nation's cable-equipped homes to shun the service.

PHOTOS, TOP TO BOTTOM: DAN FORD CONNOLLY/PICTURE GROUP (2); GREG R. SMITH/PICTURE GROUP

"If we are able to stay the course for the next 12 to 18 months, we see some tremendous opportunities in areas that are anathema to the other pay suppliers," says Spaulding, specifically pay per view and recycled home video spinoffs. Playboy's PPV experience has been mixed, but its home video division is a profitable bright spot, with $2.5 million in sales and two best-selling cassettes as well as a distribution deal with Karl/Lorimar. And, in the long run, satellite delivery could spell the end of Playboy's access problems by avoiding cable restrictions. "Then you can tell the city council to punt," Spaulding says.

But "staying the course" involves a chicken-and-egg paradox. To lure and keep new customers, Playboy has to increase its $12 million programming budget, which it can't do without the cash provided by new viewers. The operation has been run on a cash/break-even basis for the past year.

Last year Playboy's video division suffered operating losses of $4 million on revenues of $24 million, not including a $2.3 million write-off from the Rainbow split-up. Much of the bad news was limited to paper; the cash loss came to only $800,000, says Playboy Video's Sowa.

In the long run, however, the fate of Playboy's $30 million cable investment will be determined by the larger world off the balance sheet. And that's where the prospects for the Playboy empire look dimmest.

Playboy's audience for well-built nudes, fast cars and expensive stereos is vanishing. As the Meese commission's report on pornography attests, much of society is in the midst of a violent backlash against Playboy's values. On the other side are the survivors of the sexual revolution, adults in their 30s and 40s who've left Playboy behind. Sex is no longer the preferred topic of conversation: getting ahead, buying a house or having a baby is. Playboy's audience, once securely mainstream, is evaporating fast.

Hefner's astounding success, his genius, flowed from his uncanny instincts as a popularizer, telling lawyers in St. Louis or college kids in Austin what hipsters in New York and Los Angeles were doing. But over the years, secluded in his mansion, he's lost his golden touch. Today's young men don't want to be playboys; they want to be investment bankers.

No doubt there's still some market for adult erotica on cable, but whether Playboy can tap it and stay true to its roots is doubtful at best. As one former employee remarked, "There's nothing wrong with sensuality and pleasure, but Playboy doesn't seem to capture how people feel about those things today." ●

Sticking It to the Unions

During the networks' salad days, a job with one of the big three was among the choicest plums in American labor. But all that's changing, and the unions are discovering the party's almost over.

by Michael Hoyt

McGlade's Bar and Grill, a down-to-earth watering hole increasingly out of place on gentrified Columbus Avenue in Manhattan, was a good place to be late this summer. The ABC technicians who hang out there, most of them members of the National Association of Broadcast Employees and Technicians (NABET), got a pair of retroactive paychecks in August after the union finally settled a contract with the newly merged Capital Cities/ABC. It had been 17 months since the old contract expired, so the checks ran well into the four figures. Before mortgage payments, IRAs or the Atlantic City casinos claimed them, a few of those dollars slid across the dark wooden bar at McGlade's.

But the ABC technicians also knew that the party is almost over. While the contract they toasted gave them a 5 percent pay increase, it also set aside a provision of earlier contracts that the union once considered sacred: a requirement that the network extend its high-cost "master contract" with NABET to employees of its owned-and-operated stations across the country. The new Cap Cities managers at ABC, who dearly wanted to prevent NABET from organizing the two nonunion television stations they owned before merging with the network, had threatened to take a strike over the issue, and the union backed down. As a result, the Cap Cities/ABC stations in Raleigh-Durham, N.C., and Houston, Tex., will remain—by union consent—nonunion.

The NABET negotiations this summer were Cap Cities' first major confrontation with labor since taking over ABC in January, and clearly the company won the first round. NABET, by contrast, emerged from the talks looking more like a special interest group than a vibrant, growing union. Its leaders secured modest pay increases for members, but in doing so they virtually froze the union in place. "In the long run we just didn't feel that strongly about it," says Thomas Kennedy, national bargaining coordinator for the 19,000-member NABET. "We end up with the same number of stations we had to start with." Just a few years ago, that would have been an astonishing admission for a union leader to make, but not today. Virtually everyone involved agrees that one era of labor relations at the three television networks has ended, and a new one has begun.

What's different today, of course, is a new cast of characters and a dramatically altered economic environment. Cap Cities' merger with ABC, General Electric's acquisition of NBC and Loews chairman Laurence A. Tisch's purchase of CBS stock and ouster of management have occurred at a critical moment in the television business. Sinking advertising revenues; heavy debt burdens at CBS and ABC; and grinding competition from cable, the VCR and independent stations have set the stage for a period of historic retrenchment at the networks.

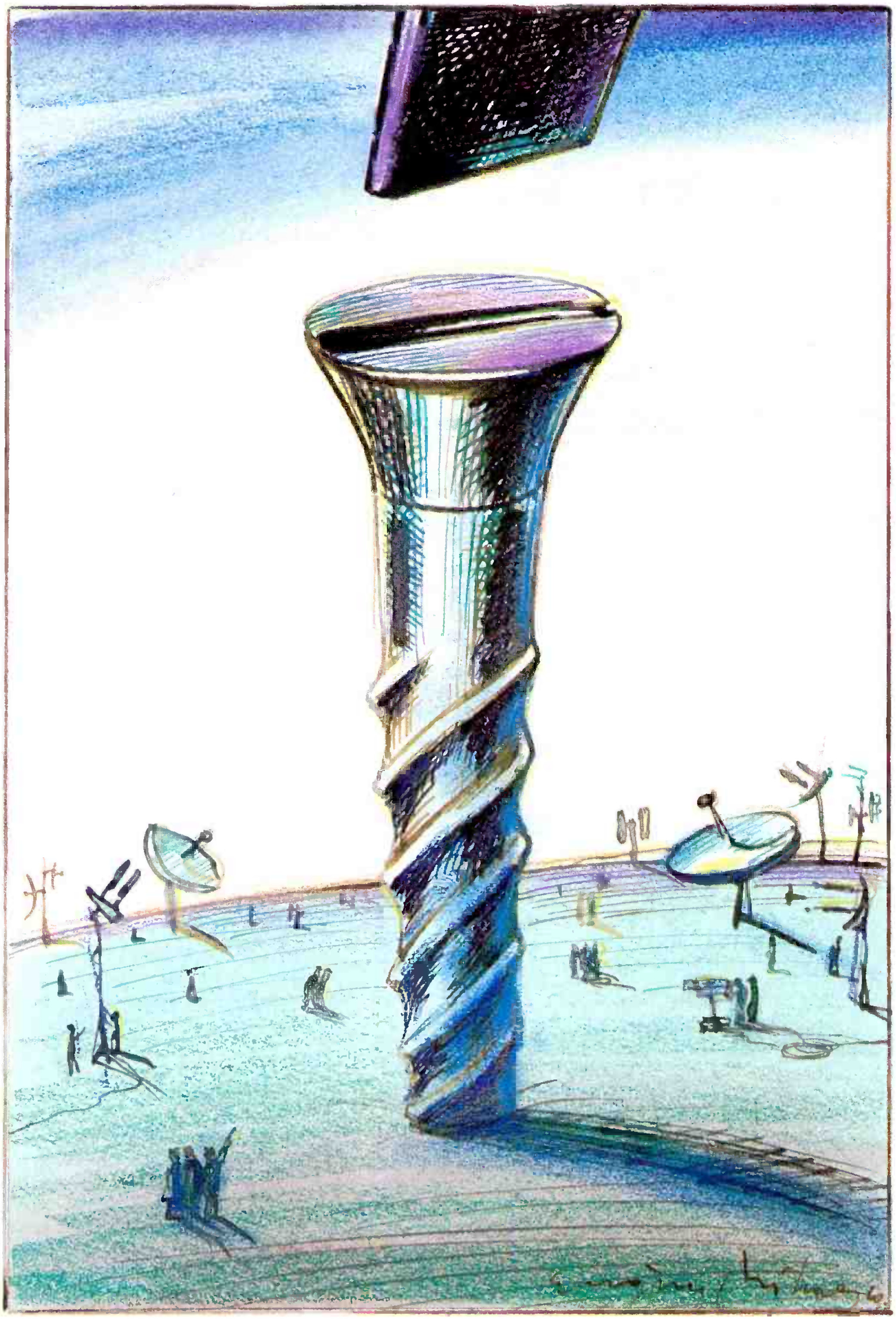
The NABET negotiations and the big layoffs this summer at CBS and Cap Cities/ABC set the tone, and the recent appointment of GE executive Robert C. Wright as president of NBC will almost certainly lead to belt tightening there as well. Like Cap Cities/ABC, GE has so far managed to keep NABET from organizing KCNC-TV, the Denver station it owned before buying NBC. NABET and other television unions also feel threatened by network plans to reduce operating costs further by introducing new work rules and technology.

"The question is not 'Will [the networks] turn the screws?' " says Edward Atorino, a media analyst with Smith Barney. "They are turning the screws now." No, the real question is whether network labor will join the tattered parade of American unions in full retreat. Some employees, fearing the worst, are adjusting their life-styles accordingly.

"I used to live in an expensive condominium and drive a Porsche," says one camera crew member who was laid off by ABC just before Cap Cities took over, and then picked up by an NBC station this spring. "Now I live in a tiny apartment and drive a '69 Volkswagen. I take all my money to the bank."

Network jobs have always been considered some of the richest plums in American labor. For most of its 40-year history, television has been a profitable, cash-rich business able to pass along higher operating costs to the advertisers, who ultimately pay the bills. Union members, from the studio electrician in Burbank to the soap opera actress in New York, shared in the riches of a generous industry. NABET general counsel Jerome

Michael Hoyt has written extensively on labor issues and the media.



EUGENE MIHAESCO

'The question is not Will the networks turn the screws?' says one media analyst. 'They are turning the screws now.'

Sturm recalls his instructions to an aggressive labor consultant the union hired a few years ago during a scrap with NBC; "I said to him, 'Now don't go out and say these are union-busting companies, because they're not.' Now we have a different situation."

Each of the new players on the management side has a distinct—and tough—reputation in labor relations. Acting CBS chief executive Laurence Tisch, who now owns almost 25 percent of the network, has always prided himself on running a tight-fisted operation at his Loews Corp. Over the past five years GE chairman Jack Welch has boosted company earnings by 50 percent while eliminating more than 100,000 jobs. But it is Cap Cities that most clearly signals a change in the labor climate. Its labor practices have been so controversial that at the company's 1983 annual meeting a stockholder proposal demanding a written labor policy won more than 11 percent of the votes despite strong management opposition.

Newspaper unions consider Cap Cities a blood enemy. That feud goes back to such company properties as *The Oakland Press* in Pontiac, Mich., and *The Times Leader* in Wilkes-Barre, Pa., where, labor leaders charge, the company deliberately provoked strikes in order to crush the unions. Just before a particularly violent strike in Wilkes-Barre in 1978, Cap Cities posted private guards in the newsroom and erected a fence topped by barbed wire around the building's perimeter. Today, Wilkes-Barre is a two-newspaper town, one run by nonunion Cap Cities employees and the other by the strikers with the aid of their unions. Both papers have lost millions.

John Sias, now the president of the ABC Network division, led Cap Cities' publishing division during the labor wars. The law firm that Cap Cities hired for those battles, King Ballow & Little of Nashville, has left a trail of dead newspaper unions in at least a dozen small and medium-sized towns, and the AFL-CIO considers it "one of the worst of the union busters." King Ballow is now retained by Cap Cities/ABC, and it advised the network during the negotiations with NABET last summer.

Cap Cities' labor relations at its 12 radio and television stations have been somewhat more benign, but what the company clearly wants is to have fewer people shouldering more of the work. Its Philadelphia TV station, WPVI, for example, operates with 190 full-time employees (plus some free-lancers), compared with 279 employees at WCAU, the CBS-owned station there. "The unions have a tendency to think of this as a cyclical business, that the salad days will return," says one top Cap Cities executive directly involved in labor negotiations. "Now they need to understand that the salad days are not coming back, and even if they do, that's not the way to run a business."

Network labor costs can be divided into two parts: direct and indirect. The first category is payroll employees, who keep the radio and television networks running and produce its news, sports and some of its other shows. Indirect labor costs are reflected in the fees the networks pay to production companies for entertainment programming. Workers in both categories are represented by a complex maze of unions including technical, creative and clerical employees. Cap Cities/ABC, for example, negotiates 125 contracts with 13 different unions.

Typically, more than half of a network's total budget is eaten up by production costs, and a sizable percentage of these costs are labor. The networks and the production companies negotiate jointly with the two actors' unions, AFTRA and SAG, but as pressures mount for reducing costs, the network presence will become even stronger than it is now. "The networks were always harder bargainers than the film companies," says Sanford Wolff, former national executive secretary for AFTRA. "They have some of the wiliest negotiators you'll ever find."

But in the category of labor costs that the networks directly control, the technical unions take the biggest bite. In the past, the very nature of network economics gave the unions an edge. Abundant advertising revenues created a casual attitude about meeting budgets, and network scheduling virtually guaranteed that engineers, sound technicians and tape editors would work a lot of overtime. With overtime, some network technicians had no difficulty earning $55,000 to $60,000 a year. But the new climate of austerity at the networks has permanently altered this equation.

Last summer's negotiations between Cap Cities/ABC and NABET were followed closely by executives at the other networks, and could lead to significant changes in labor policy in the industry. In return for a pay raise for its members, NABET not only waived its right to organize the two nonunion stations owned by Cap Cities/ABC, but also gave up its jurisdiction over stations the network purchases in the future. In the past, the owned-and-operated stations have been an important profit center for the networks. But the networks were generally restricted to buying stations in the top ten markets because the higher wages and benefits of the NABET master contract were prohibitive in smaller cities, which do not generate enough advertising revenues to carry the extra load.

General Electric confronted this problem firsthand when it completed its acquisition of NBC in June. At GE's KCNC-TV in Denver, which is not covered by the NABET master contract, broadcast engineers typically earn about $600 a week, according to Eugene P. McGuire, executive vice president for labor relations at NBC. At WKYC-TV, the NBC-owned station in Cleveland that is represented by NABET, engineers earn about $825 a week. "Denver and Cleveland are almost the same size markets," says McGuire. "But in Cleveland we're the only 'owned' station. Ergo, we're not competitive. What we need is the ability to compete in each market on its own terms."

This is likely to be an important sticking point in March 1987, when NABET's current contract with NBC expires. NBC's last NABET negotiation, in 1983, was a war of nerves that dragged on for

TV'S RANK AND FILE

The three television networks negotiate labor agreements with locals of more than a dozen unions. The nine major national unions, with a description of their membership in the television industry, are listed below.

Union	Membership*	Description
National Association of Broadcast Employees and Technicians (NABET)	19,000	Approximately 6,400 engineers, technicians and clerical workers at NBC and ABC.
International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators (IATSE)	65,000	Camera, sound and lighting technicians, and stagehands at the networks, affiliates and production companies.
International Brotherhood of Electrical Workers (IBEW)	988,000	This huge industrial union represents 1,675 technicians at CBS.
American Federation of Television and Radio Artists (AFTRA)	67,000	Actors in soap operas, game shows and programs shot in video; network and affiliate news correspondents.
Screen Actors Guild (SAG)	62,000	Actors in movies, commercials and TV shows shot in film.
Directors Guild of America (DGA)	8,000	Directors, stage managers and production assistants.
Writers Guild of America (WGA)	9,300	Script, promotional and news writers, and graphic artists, with separate divisions on the East and West coasts.
American Federation of Musicians (AFM)	225,000	Approximately 1,000 network studio musicians.
United Scenic Artists (USA)	1,700	Art and scenic directors and costume designers.

*Total national membership. Network representation is often much lower.

Cap Cities hired private security guards (left) during the Wilkes-Barre, Pa. newspaper strike, but a union leader (right) was injured in the violence anyway.

more than 18 months and left a residue of ill feeling. "This time [when the contract expires], we should go out on the street," says Carrie Biggs-Adams, president of NABET's Local 53 in Burbank and a member of the union's NBC negotiating committee.

Technology is the invisible guest at the network poker game, always shuffling the deck, changing the arithmetic. The electronic workplace constantly evolves, and a negotiating misstep can do a lot of damage to either side. The technical unions have always prided themselves on welcoming new technology; where the fight usually comes is over who will operate the new equipment. "If a computer replaces ten NABET people, we accept it. But we say to the company, 'We want to operate that computer,' " says Arthur Kent, president of NABET's Local 11 in New York. That approach has not hurt the unions, because the networks usually discovered new uses for equipment once it was installed—sophisticated sports coverage, better graphics, stereo sound. The number of technicians kept growing.

But the next wave of technological innovation may not be quite so kind. "The goal now is to reduce the number of technicians," says Mike Deleso, business manager for the International Brotherhood of Electrical Workers' CBS local in New York. "And that trend is accelerating because of the overall economic conditions."

This is no vague paranoia. NBC plans to start installing the M-2 videotape system at the end of this year. The M-2 format will use a half-inch tape to replace both the one-inch system used in the studios now and the three-quarter-inch system used out in the field. The miniaturization, along with other technological changes on the horizon, is likely to eliminate a number of jobs over the next four years. "There are cameras that don't need cameramen," says NBC's McGuire. "I saw them in Japan. A technician up in a booth was making the cameras dolly and tilt and move in."

Technology reared its head this year on the other side of the camera. Late last summer, contract talks between the networks and AFTRA, which represents 800 television news correspondents across the country, were stalled after the networks proposed that correspondents operate their own camera, sound and editing equipment in addition to performing their news-gathering chores. But in a rare display of unity against their network bosses, 55 network correspondents and anchors—including Tom Brokaw, Sam Donaldson and Mike Wallace—signed a public statement flatly condemning the move. Under a tentative accord reached in October, the networks backed down and agreed not to raise the issue again unless the technical unions relinquished control over the equipment.

"Most of us feel that this was not simply a matter of automation changing the nature of broadcasting," says CBS correspondent Robert Schakne, chairman of AFTRA's news steering committee. "This was a case where we were being asked to take on time-consuming additional tasks that detract from reporting."

Labor's wild card, of course, is the strike, and that remains a formidable weapon. In the past, strikes by network technicians never shut down the networks, but they did exact a financial penalty that the companies can no longer afford. The changing business climate today enables management to push much further without fearing a strike, because union members' expectations are much lower. Says one NBC technician, "Let's face it. There are thousands of kids out there at TV stations who do what we're doing for a quarter of the pay."

Management will enter labor negotiations next year with another important advantage. As the parent companies governing the networks grow larger and more powerful, the unions remain fractured. SAG and AFTRA, with almost half of their memberships overlapping, were finally on the verge of consummating a merger this fall—after 25 years of talks. But merger negotiations between the technical unions—NABET, IBEW and the International Alliance of Theatrical Stage Employees and Moving Pictures Machine Operators—are dead in the water.

"We're not just separate, we're rivals," says one worried NABET official in New York. "Within a few blocks of here I can count half a dozen local offices. Meanwhile, the networks are consolidating. They're getting stronger. We're not."

One last subtle change in attitude will prove crucial in the coming months. During the old era of the network founders, when there seemed to be no end to steadily increasing advertising revenues, management didn't have to apologize for hiring top anchormen reporters or technicians at top prices. Doing so assured them of quality and was practically a law of nature for television. For the most part, the networks remained consistently profitable, but today profits are no longer a sure thing. No one knows exactly what the new network owners' notions of quality are, except that they seem determined to insist on getting it without spending any more money. ●

The Fight to Run The '88 Debates

When the Presidential candidates meet face to face, who should run the show—the League of Women Voters, the networks or the Democrats and Republicans? *by Margaret Carlson*


League president Neuman: taking no prisoners.

In the dog days of August, Nancy Neuman, an otherwise sensible mother of three from Lewisburg, Pa., vowed to take on the Washington political establishment, the heads of both the Republican and Democratic parties, the Speaker of the House and, if they get in her way, the three major television networks. Judging by her resolve, she'll take no prisoners. At issue is who will run the most important quadrennial political events on television—the Presidential debates.

Neuman is the new national president of the League of Women Voters and thus the League's point-woman on keeping the debates safe for democracy. To hear her tell it, the Democratic and Republican party chiefs are conspiring to steal the Presidential debates from the League, which has run all but one of the four sets of televised debates thus far. A year ago the party chairmen signed an agreement to make themselves official sponsors of the 1988 debates.

The League went public with its disapproval of that agreement this past summer after House Speaker Thomas P. ("Tip") O'Neill, in loyalty to his party, withdrew as honorary chairman of the League's 1988 Presidential Debates Advisory Committee. O'Neill's resignation, under pressure from the parties, shows how much the parties' power brokers want to get the League out of the picture, says Neuman. "They know that the League is the only organization standing between them and free rein to manipulate these and other campaign events to their candidates' advantage."

Just about everyone else involved in the long-simmering "debate on debates" believes the past Presidential-candidate confrontations could have been more spirited and informative. Some blame the candidates and some the League. The parties, the candidates, the networks and the print media have all engaged in League-bashing at one time or another. Now the parties have declared their plan to run the debates themselves, and a change in the law allows the networks as well to try their hand at it. The field is open in 1988. So far, nobody has a lock on debate sponsorship—or on the Presidential nominations, either. Given the debate experience dating back to 1960, the absence of a front-running candidate for '88 makes all things seem possible.

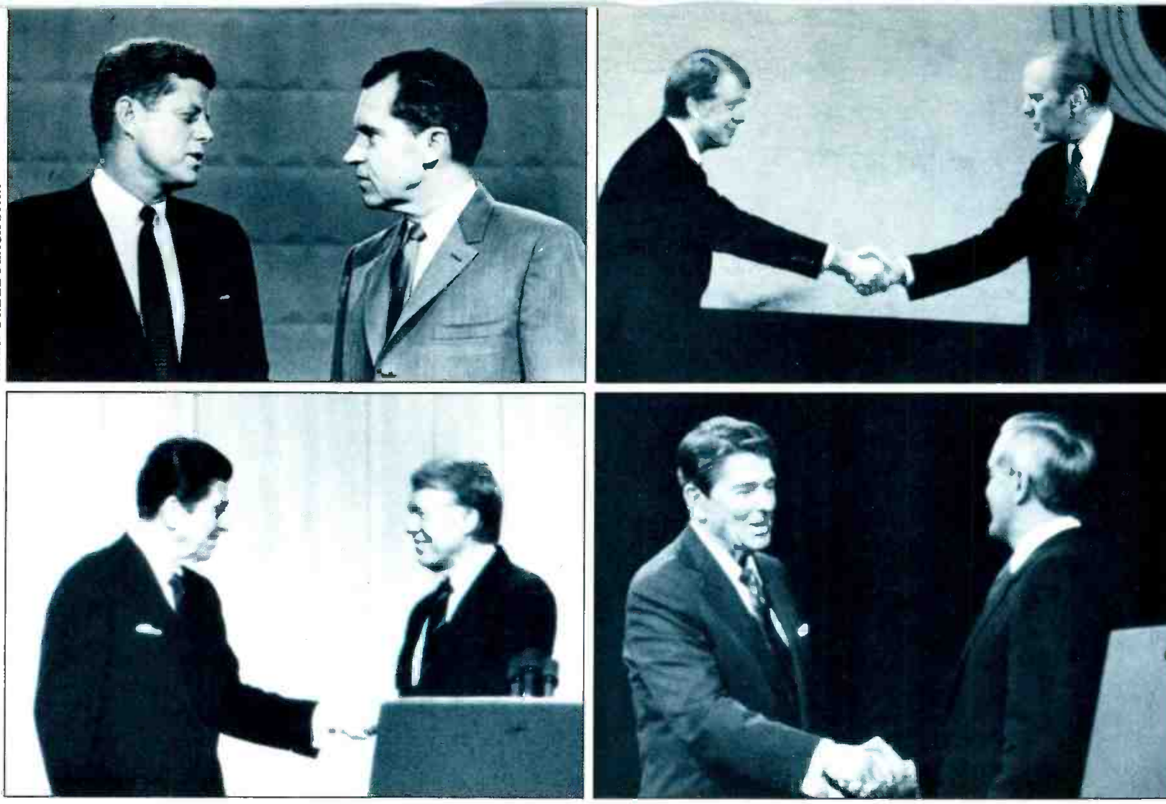
In arranging past debates, front-runners have called the shots. "It's usually a situation of the underdog wanting to debate and the overdog not wanting to," says Robert Siegenthaler, ABC's vice president of news practices. "So the whole thing becomes a product of whatever concessions the front-runner can extract from the underdog as the price for condescending to debate at all." In 1984, for instance, Walter Mondale had everything to gain from debates and wanted six of them; Ronald Reagan was the front-runner and had everything to lose. There were two debates.

The problem is that the concessions can damage the debates' usefulness. "The candidates bullied the League into accepting unreasonable conditions with the threat that they could always fink out," says NBC News president Lawrence Grossman. "I don't think that will work anymore. They can't walk out on the parties." The League's willingness to accommodate the candidates caused the most furor last time around, in 1984, when it let the Mondale and Reagan camps reject potential questioners on a list of journalists. The thought police in the respective campaigns gleefully chopped away all but three names, and the League let them get away with it.

Critics also say the format used in the League debates often renders them uninformative and lifeless. "The candidates feel protected by the League, by the strict format; that they might get into trouble with something looser," says Robert Asman, an NBC News producer. There's hardly a question the panel of journalists can fling at the candidates that they can't skirt, ignore, filibuster or smother with campaign rhetoric. If the candidates had total control, a League official says, they'd just broadcast canned campaign ads. When Reagan turned to Carter in 1980 and said, "There you go again!" it was electrifying, because the candidates usually addressed each other only through a panel of sanitized intermediaries. Watching is like being courtside at a slow tennis match constantly interrupted by clumsy ball boys.

The format took hold with the first televised Presidential debate, in 1960: Richard Nixon and John F. Kennedy spoke from separate lecterns, responding to questions from a panel. Don Hewitt, who produced the 1960 debates and now

Margaret Carlson is a free-lance writer living in Washington.



PHILIP DRELL/BLACK STAR

DENNIS BRACK/BLACK STAR

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From the first debate in 1960 (top, left) to the most recent in 1984 (bottom, right), there has been no consensus on how best to run them. And if a network takes charge? Says a former Presidential press secretary, "I can hear it now: 'Walter Mondale, come on *down*!' "

produces *60 Minutes*, recalls that the setup was just handy at the time—never intended to be a prototype. But broadcasters didn't have a chance to redesign the format. Congress had allowed the 1960 debate under a special exemption, but the Federal Communications Commission determined that running debates wasn't a job for broadcasters. The League stepped into the vacuum as impresario of the 1976 Carter-Ford bout.

The FCC had ruled that broadcasters were bound by the equal time rule and therefore couldn't sponsor a debate without inviting every qualified Presidential candidate. That meant, according to NBC's Grossman, "that every cockamamie candidate would have to be included—LaRouche, Mr. America and everybody else—before we could hold a debate." Broadcasters were, however, allowed to air debates organized by independent nonpartisan groups. (The FCC's Aspen Rule, adopted in 1975, exempted broadcasters from equal time requirements when covering bona fide news events, debates included.)

Then in November 1983, the FCC lifted its restrictions altogether, though the League ended up sponsoring the debates the next year anyway. The networks never presented a united plan for debates and competed as much among themselves as with the League.

The networks can be expected to take the inherently nonvisual debates and produce them to a fare-thee-well, injecting drama and perhaps coordinating the follow-up on questions. "With networks playing a role, you would get someone in the control room plugged into the moderator's ear who would move things along when necessary, or make a judgment call like 'Let's have more on Cuba' or whatever," says ABC's Siegenthaler. CBS's Ramona Dunn points to the livelier format devised by her network for the 1984 primary debates it arranged. "We set it up the way we wanted—at a round table, with one moderator [Dan Rather], no panel." Says Grossman: "The League has performed a useful service, but in the end it pleased no one but the candidate. It's time to try another way."

The prospect of networks running a debate scares syndicated columnist and former Carter press secretary Jody Powell. "Could you imagine what would happen if the networks got hold of it?" he says. "I can just hear it now: 'Walter Mondale, *come on down!*' "

Neuman, like the networks, wants livelier debates in 1988, but she thinks that would come from persuading the candidates to confront each other and not from the networks' production wizardry. "The networks are concerned with what makes the best television," she says. "We are concerned about the best election." Neuman's predecessor as League president, Dorothy Ridings, recalls an incident during the '84 campaign: "I called a network executive to see about televising one of the primary debates on a certain date and he said, 'Well, that wouldn't work—that's sweeps week.' Then he rejected two other dates before suggesting one. The problem with it," says Ridings, "was that it was after the election."

League leaders also doubt party sponsorship would improve the debates, since the parties' primary concern would be to protect their candidates. "If only the parties run the debates, each party will have veto power," says Rep. Charles Schumer (D-N.Y.). "And there will be either no debates or debates the way the least-common-denominator party wishes to run things." Schumer kept his seat on the League's 1988 advisory committee. (Maryland Republican Sen. Charles Mathias also remains on the committee after having briefly dropped out when O'Neill did.) Spokesmen for both parties nevertheless say they'll sponsor the debates in 1988, come what may. Some network officials also intend to play a bigger role than before. "I think we'll be in there scrapping next time," says NBC's Asman. It could be that everybody—the parties, the networks, the League—will try to hold debates. One likely result is that the front-running candidate will simply go with the sponsor most willing to bend to his specifications.

Neuman herself sounds unwilling to bend. She says only that the League is willing to pressure candidates into a provocative format, to insist on including any viable third-party candidates, and to keep the strongest candidate from setting the terms of debate. She accuses the parties of pressuring Speaker O'Neill to drop his ties with the League. "The parties make a basic error if they assume that throwing their weight around in Washington is the way to put on debates," she says. "Mark my words, the League will sponsor the 1988 Presidential debates." ●

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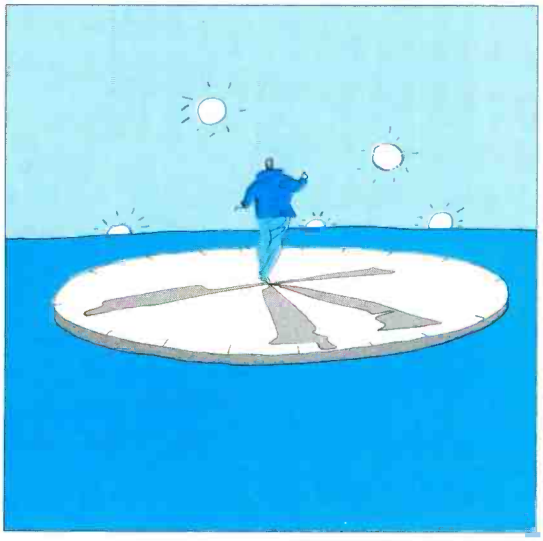
Television

FOCUS

SELLING TIME

At around the time watching television became a national habit, buying television time became a necessity for most companies involved with nationally distributed pharmaceutical, household and automotive products. To skimp on buying TV advertising was to risk losing market share to aggressive competitors. By the 1970s, demand for network airtime regularly exceeded the supply of spots. And in that heavenly sellers' market, the networks became failure-proof—even their program disasters made money. The big three raised their ad rates year after year, as if perennial growth were an immutable law of nature.


DEVIS GREBU

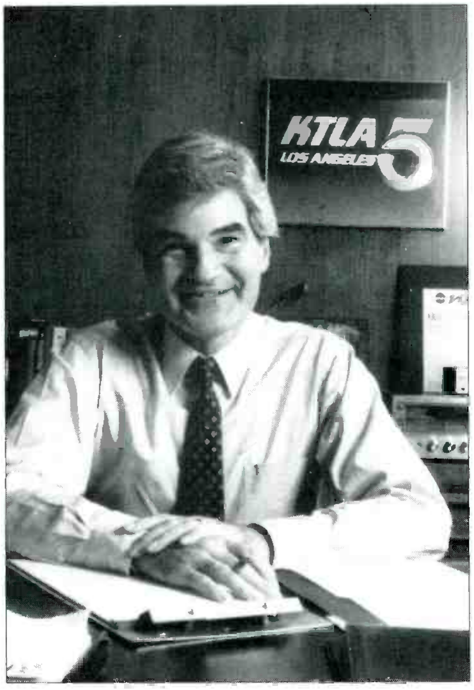
The television-advertising pie used to divide itself quite neatly: Half the total annual billings went to the three networks and the other half—consisting of national, regional and local spots—went to the 500 to 750 commercial stations around the country. To a large extent, the networks and their affiliated stations competed for the same national advertisers, whose collective billings grew into the double-digit billions by this decade. Nevertheless, cutting the pie was always, as they say, a piece of cake.

Today, however, in the drastically changing television environment, the pie is something of a mess. Many more general-audience independent stations are on the air, 260 by last count; cable is in the picture with its ad-supported networks and superstations; barter syndication continues to grow as an alternative to networking, and at least one serious fourth-network venture, Rupert Murdoch's Fox Broadcasting, is on the air. Meanwhile, in an odd quirk of timing, the competition for the ad dollar is intensifying, just as the TV ad market has gone soft. It's fair to wonder if there's enough money to support all the media that are vying for it.

In this special section, *Channels* puts the focus on the TV advertising market, looking first at how the networks are withstanding the challenges to their dominance, then at the state of the spot business as seen through the station rep companies. These firms, which used to operate in the background, have recently emerged as a force to reckon with. Completing the Focus section is an article on a new kind of advertising that's helping to make some cable networks solvent. It's sorely reminiscent, however, of the snake-oil huckstering that gave television a bad name in its early days. The circle closes even as it expands. LES BROWN

The Battle for Ad Dollars

It's the networks versus everyone else. **by David Bollier**



By counterprogramming the networks, executives like Steve Bell (left), general manger of Los Angeles' KTLA, have helped independent stations capture some 21 percent of total TV viewing. Stanley Moger (above, right), another thorn in the networks' side, structures barter-syndication deals that bleed the big three's revenues. But CBS sales chief Jerry Dominus (above, left) calls these inroads by the competition mere razor cuts.

"Network television," says Jerry Dominus, pausing between words for effect, "is . . . the . . . most . . . powerful . . . sales . . . medium . . . ever . . . invented." He carefully enunciates each word, as if he were intoning a magical incantation that might ward off the vexing forces that now nip and tear at the mighty three-headed colossus.

Dominus, the head of sales at CBS, has worked for more than 20 years selling advertisers on the efficacy of CBS airtime. He's an affable guy with a firm handshake and a frank, confiding manner. You want to believe him. But at the same time you feel a tremor, as if the landscape were shifting beneath the black tower on Sixth Avenue. Everyone else with television time to sell—independent broadcasters, cable networkers and barter syndicators —already has his ear to the ground.

This season, for the first time ever, two of the networks, CBS and ABC, were forced to drop below last season's levels their prime time up-front rates—the premium prices paid in summer for the choicest ad time of the coming season. Estimates differ on the average decline in prime time rates for 1986-87—they vary between 1 and 5 percent—but there is general agreement that rates went down, and in a network economy where costs are rising 10 percent a year or faster.

For decades, the economy of network television had been governed by its own immutable laws: Advertising rates could only go *up*. Since 1975, the networks had increased their ad rates an average of 12 percent every year—almost double the economy's average inflation rate. This year, network revenues are likely to rise only 3 to 4 percent, according to Robert Coen, the respected forecaster who is senior vice president of the McCann-Erickson ad agency. In real terms, an increase that slight, approximating the inflation rate, would amount to a zero revenue gain. Both CBS and ABC have taken the highly unusual step of predicting they would actually earn *lower* profits this year than Wall Street analysts had forecast.

At one agency, a media buyer who called CBS to place an order for airtime was flabbergasted when the salesman dropped his asking price 6 percent—even before the buyer had begun to negotiate. "They were that desperate to unload airtime," says the buyer. For advertisers seeking daytime ads, this year was "like waking up and finding it was Christmas morning," according to one time-sales executive.

Over at top-rated NBC, as expected, the story was somewhat different. *The Cosby Show* set new records by capturing as much as $400,000 for a 30-second spot, up 40 percent over the previous season. But even with the phenomenal success of *Cosby* and other hits, NBC had to settle for an average prime time rate hike of only 7 percent, a disappointment when compared with its customary double-digit increases.

The bargain prices attracted more than the usual number of advertisers to the up-front buying period, when the most desirable time slots on the best shows are sold at premium prices. (The remaining airtime is sold at lower rates each quarter in the "scatter" markets, in which advertisers specify viewer demographics and the networks assign them appropriate slots scattered around the schedule.) The networks, which usually sell 60 to 70 percent of their airtime up front, last summer sold almost 75 percent, according to Coen.

By making heavy advance sales, the networks wanted to sell as much time

David Bollier is a contributing editor of Channels.

as possible at the premium, up-front rates while hoping that the slim supply of remaining inventory would increase ad rates for the scatter markets. But instead, sagging demand for the airtime in the fall scatter market meant that the networks were not able to compensate for their low up-front rates and bolster overall revenues, as hoped.

Up-front ad sales provide a significant early checkup on the metabolism of network TV, reflecting, among other things, the strength of the economy, the competition from other media and the networks' ratings. The diagnosis was easier the last time the networks suffered a serious blow to their revenue base: In 1971 Congress had banned cigarette advertising on TV and wiped out $210 million. But this year there is no single culprit—which makes the networks' troubles all the more difficult to fathom.

The networks have been suffering a series of "razor cuts," according to CBS' Dominus, who blames forces both transient and long-term.

Certainly a major short-term culprit, everyone agrees, is the sluggish national economy. More than most businesses, television advertising depends critically on a healthy economy; the more new-product introductions and advertising wars, the better. With the gross national product expected to grow by only 5.5 percent and inflation at only 3 percent this year, many advertisers are cautious about overspending and wary of a recession. The uncertainties of major tax reforms pending in Congress last summer added another layer of anxiety. Faced with one more round of network rate hikes, some advertisers pared back or refrained from making up-front ad buys, preferring to take their chances on the fall scatter market, in which ad rates averaged 5 to 6 percent lower than up-front.

Robert Coen believes that the networks are experiencing an "adjustment period" after an extraordinarily strong stimulation of ad prices in 1983 and 1984, caused by a booming economy and a spurt of advertising related to elections, the Olympics, personal computers, video games and other new products. Now these aberrations have passed, and other television media are giving the networks stronger competition. Coen finds it "amazing that the networks have done as well as they have, given all these factors."

A simpler short-term "razor cut" has been advertisers' recent infatuation with sales promotions. Instead of buying ads, marketers have turned to sweepstakes, coupon discounts and other gimmicks—tactics that may boost short-term sales, though often at the expense of a product's long-term brand identity, which could be maintained through constant broadcast exposure.

Some suggest that the networks miscalculated what they could get for their airtime. A "depression mentality" afflicted both the networks and advertisers when they faced off this year, says James Coppersmith, general manager of ABC's Boston affiliate, WCVB-TV. "The networks blinked first," he says. "If the networks had poked up prices, advertisers would have come around. The networks could have toughed it out."

Charles H. Kadlec, a management consultant and former CBS executive, recalls that the networks seriously underpriced their time in 1976, selling out their inventory too early and shutting out advertisers, who went in droves to independent TV stations.

A CBS SALESMAN SHOCKED ONE MEDIA BUYER BY DROPPING THE ASKING PRICE 6 PERCENT—WITHOUT EVEN NEGOTIATING.

"I've felt for a few years that the networks were undermarketing their product," says Arnie Semsky, media director of the ad firm BBDO, who thinks network airtime could sell higher if the sellers convinced buyers of its true worth. "But instead of becoming sellers, they've become order takers." Says Kadlec: "The networks had such an advantage for so long that perhaps they got lazy."

Short-term misfortunes and miscalculations explain some of the networks' woes, but they assuredly cannot explain the steady long-term erosion of network audiences. Since 1978, the networks' share of prime time viewers has plummeted from 93 to 78 percent. Much of the decline can be traced directly to the coming of age of a new generation of competitors. Known by some as "All Other Television," or AOT, these burgeoning national media include independent television stations, barter syndication and the ad-supported cable networks.

The networks are still the biggest sellers of TV time. Last year the big three together took home $8.2 billion from national advertising out of some $21 billion in total sales, by estimate of McCann-Erickson. The 948 commercial television stations split up $6 billion in spot sales sold nationally by their ad reps and $5.7 billion sold locally themselves. By comparison, the new forces in national TV advertising are minuscule: Cable television sold $637 million in national time and syndicators took in $530 million from ads in bartered programs.

Like any good salesmen, Dominus and his counterparts at the other networks scoff at the idea that AOT is seriously challenging the status quo. In fact, says Dominus, "I would say we're probably getting close to what I would call the New Equilibrium. That's what our advertisers see as well, I think. Nobody is going around predicting the demise of the networks anymore."

The New Equilibrium—it's a creative way to describe one of the most volatile periods in commercial TV's 45-year history, a time when competing video ad media are taking away viewers and advertising.

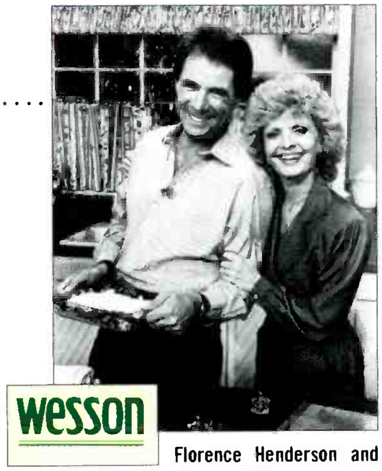
Steve Bell and his counterparts at

other independent television stations are responsible for many of the razor cuts bleeding the networks' revenues. A soft-spoken, graying, Harvard-educated broadcaster, Bell is general manager of KTLA-TV, Los Angeles, one of the most dynamic indies in the nation, a station whose prospects are so bright that Tribune Broadcasting paid $510 million for it in 1985.

Not every independent can boast KTLA's success, but the ratings and the promise of profits have been sweet enough to more than double the number of commercial, general-audience independents since 1980, reaching about 260 this year. In a decade they doubled their share of total viewing and now account for 21 percent, according to the consulting firm Frazier, Gross & Kadlec. Indies will earn some $2.9 billion this year, including about 25 percent of spot ad revenues, the firm estimates.

The indies' key programming strategy is no secret, but still quite effective: counterprogramming. While network affiliates run game and talk shows for adults in late afternoon, indies often schedule cartoons for kids. (And they're underpricing the networks' Saturday-morning cartoon blitz at $4 or less per thousand juvenile viewers, in contrast to the nets' nearly $6 per thousand.) Later, at 10 P.M., when the nets are carrying entertainment, Bell's station and other indies begin their late newscasts. The strategy works, says Bell, because the networks and their affiliates stick with copycat schedules. "All three network affiliates program news from 5 to 7 P.M., a magazine show at 7:30 and news at 11. There aren't really three networks," he says. "There's only one, with three different names."

For years, indies have had to do their counterprogramming with reruns from the networks, but in the last few years they've become a market large enough to attract first-run syndicated productions suitable for going up against the networks at any hour—animated superheroes for kids, lip-sync and dance shows for teens, business newscasts and late-night shows for adults and a dozen or more first-run situation comedies for all. The



Florence Henderson and race car driver Darrel Waltrip exchange recipes on Wesson Oil's *Country Kitchen*.

first-run offerings not only ease the shortage of off-network reruns but also relieve the pressure of the higher prices that indies pay for reruns.

In many cities, indies have gotten an assist from cable. Ninety percent of indies started with the disadvantage of broadcasting on UHF channels, which are seldom received as clearly as VHF channels. But as cable reached into more homes, viewers who once found it inconvenient to tune UHF Channel 61 can now watch it as easily as cable Channel 2.

While many indies have gained better footing in competition with network affiliates, they remain more vulnerable to the shifting tides of TV ad sales in general. "When times get tough, advertisers tend to go the safest route, with news and prime time shows," notes Ron Inman, marketing director for INTV, the indies' trade association. "That's going to hurt the indies, whose greatest strength is in other dayparts."

Indies are heavily dependent on the health of local economies. In booming urban markets such as Los Angeles and Chicago, brisk ad sales will continue into 1987. Sales have also been boosted in states where major political campaigns were waged this fall. On the other hand, hard times in the Southeast, Northwest and oil states have hurt indies there.

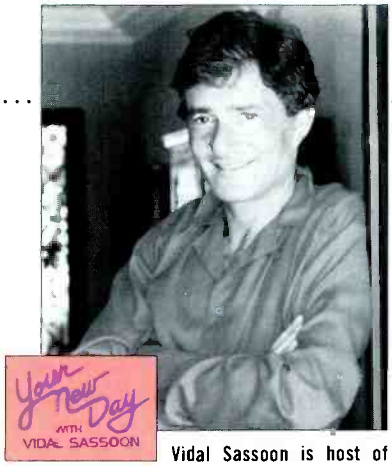
The best news for indies may be the networks' heavy up-front sales. The resulting scarcity of available network airtime has already stimulated sales in the spot market, which INTV predicts will continue next year.

Despite their phenomenal recent past and their promising future, indies may be approaching new limits to their growth. Even such a partisan of the independents as Bell concedes that the networks will be around for a long time. "There's got to be something that makes Cap Cities, Ted Turner and General Electric want to own one. But the networks will have to be content with a smaller piece of the advertising market. There's no question that a new order is taking hold."

There are no muted pastels or prim potted palms in Stanley Moger's office. It's strewn with the goofy totems of a creative TV dealmaker. A Mickey Mouse telephone and other Disney paraphernalia dot the room. A "thinking cap" topped by a light bulb sits on the bookcase. On the wall is a clock whose revolving hands point to the letters S-T-A-N-L-E-Y M-O-G-E-R. Life can be a gas, but Moger also knows that business is business. As the tagline of his coffee mug puts it, "Happiness can't buy money."

Moger is a one-stop marketer. As he describes it, his company, SFM Media Corp., helps sell "products, services or ideas through the use of some media vehicle—and if the vehicle doesn't exist, we'll help create it." In the late '70s, for example, he created several consortiums that, periodically, for a couple of hours of airtime, amounted to brief-lived TV networks—the ad hoc Mobil Showcase Network (which carried such British miniseries as *Edward and Mrs. Simpson*) and the highly successful SFM Holiday Network, which airs family movies during holiday seasons.

Moger was doing on a smaller scale much the same thing the networks do—providing a program, lining up stations nationwide, selling some of the ad time and letting the stations sell the remaining commercial spots. That practice, barter syndication, was widely used in the early days of television, and since 1980 has expanded into a major path by which advertisers reach national audiences without paying the high price for the networks' heavy audience "tonnage."



Vidal Sassoon is host of the Sassoon-backed, lifestyle-oriented cable show on cable known as *Your New Day*.

What really boosted barter and made it respectable among national advertisers was the roaring success of King World's game show *Wheel of Fortune*, starting in 1983. By capturing national ratings of 20 and better in prime time, *Wheel* proved that the right bartered show could compete for audience with the networks and make extraordinary profits. Such producers and syndicators as Lorimar-Telepictures, LBS, Syndicast Services, Claster, Orbis, Universal, Disney, Paramount and others have flooded the market with dozens of new bartered shows and begun their own up-front ad markets, competing with those of the networks.

In 1980, barter syndicators offered only three series, according to Blair Television. This year there are 119 on the air, not counting the dozens of bartered sports programs, movies and miniseries. Broadcast Advertiser Reports, which began keeping barter ad statistics only in January, estimates that barter spots accounted for 7 percent of the ads run in the top 75 broadcast markets during the first quarter of the year.

Barter ad sales brought in a scant $50 million in 1980, equivalent to just 1 percent of the networks' volume. By this year, barter had swelled to a $600 million business, equal to 6 percent of network ad sales. By 1990, barter syndicators expect to pass the billion-dollar mark.

Low prices bring in the ads. A commercial that might cost $6,500 per rating point on a network may cost only $4,500 on a syndicated show, according to a Hollywood numbers-cruncher who watches business on both sides of the street. While a syndicated non-prime time show may get a 7 rating, with 30-second spots selling for $31,500, a network show at the same time may get a 10 rating, with spots priced at $65,000. By paying twice as much for network airtime, an advertiser may get only 30 percent more viewers.

Despite barter rates that average 20 percent less than that of the networks, many advertisers favor the "comfort factor" of a network buy. It provides a consistent time slot, predictable ratings, a potential reach of 98 percent of the national audience (in contrast to 70 or 80 percent for bartered shows) and good promotion for the show. Barter syndicators often cannot promise these things.

Many advertisers don't mind, however, if they can reach a national audience through barter and then buy spot time on individual stations to "heavy-up" their coverage in the regions where the barter syndicator has sparse clearance. Now that ad agencies frequently use computers to do sophisticated comparison shopping for airtime, alternative buys like that are almost as easy as buying time on a network. "The television business is changing," says Moger, "but the guys who make the widgets *don't care*. They just want to sell their widgets, and sell them at a good price."

By attaching its spots to bartered shows with specialized appeal, an advertiser can sometimes reach target consumers more efficiently than by purchasing network time. *Divorce Court* reaches women, *All-Star Wrestling* delivers men, *The Wall Street Journal Report on Television* aims for upscale adults. The networks, geared to reach mass audiences in prime time, have less flexibility than barter in hitting smaller targets.

> MOGER PULLED HIS CATSUP ADS WHEN THEY TURNED UP NEXT TO GRISLY SCENES IN *HELTER SKELTER.*

Because barter links the ad time to a specific program, it allows the advertiser to choose a suitable "environment" for its advertising. Moger recalls the season when CBS substituted *Helter Skelter*, a film about the Charles Manson mass murders, for another prime time movie. Before airtime, Moger insisted on viewing the entire film to check how viewers would see commercials he placed for a client. "At one of the commercial breaks—just after a Manson gang member slit Sharon Tate's belly and drank her blood—the screen faded and up comes a Hunt's catsup commercial." Moger yanked the spots.

"Advertisers are going to get more and more involved in programming," Moger predicts, if only to regain control over the environment for their ads. Barter and cable offer opportunities to do this. Moger's SFM, for instance, has produced such specialized programs as Vidal Sassoon's *Your New Day*, and *Country Kitchen*, a cooking show sponsored on cable by Wesson Oil.

Barter was also attractive to the office-equipment manufacturer Wang Labs, which wanted to advertise on high-quality programs without bumping into other computer ads, which "clutter" the available sports, news and specials on the networks. According to Wang ad chief Jane Carpenter, Wang decided to coproduce its own six-part historical series, *The Entrepreneurs*, now airing in monthly installments, and distribute it through barter, keeping five of the eight ad minutes per hour and letting local stations sell the rest. Barter also welcomes advertisers that want to own the programs and reap profits from their future "back-end" reuse.

It doesn't surprise Moger to see advertisers taking initiatives like these. "Television is not an art form," he says. "It is an advertising/sales medium. The people who pay for *everything* are the advertisers. A lot of program producers forget that. They think the networks pay them. You have to go back to the bottom line—the advertisers."

Fledgling independent stations hungry for inexpensive programming often jump at barter deals. "Barter has less risk than off-network cash properties," explains Henry Siegel, chairman of LBS Communications, a leading barter syndicator and a subsidiary of Grey Advertising. "If *Magnum, P.I.* doesn't work, a station isn't stuck with an expensive hour program." Yet there are limits to barter's appeal. Larger independent stations such as KTLA generally prefer to lay out money for syndicated shows rather than barter away some of their lucrative airtime. "We'd rather pay cash," explains Steve Bell, "and take control of our own destiny."

J. William Grimes represents yet another "razor cut" on the corpus of the networks. The tall, trim Grimes, a 13-year alumnus of CBS Radio, has in five years built ESPN into the country's largest ad-supported cable network, reaching 37 million homes. Its strength in attracting viewers and advertising lies in its specialization: sports. Twenty-four hours of racing, boxing, basketball and other exertions provide new opportunities to advertise where men are watching.

Sports have always been part of the networks' program mix. Add in ESPN's 24 hours, sports on the USA Network and the sports programming on superstation WTBS—which together pull in revenues equaling about 15 percent of sports-related network sales—and the law of supply and demand dictates that network rates for ads during sports programming must go down.

And so they have. To win back advertisers who went over to non-network sports (or left the sports arena entirely), the three networks this fall dropped their ad rates for National Football League games by 15 percent. CBS also gave discounts on NFL games to advertisers that agreed to buy time on additional sports programs. The rate reductions were especially painful for the networks because they remain bound by costly long-term NFL and Major League Baseball contracts, which won't expire till after this year and 1989, respectively. Even with respectable ratings, the networks lost an estimated $45 million on NFL games last year.

ESPN wasn't caught with such costly contracts because it couldn't afford them in the first place, but it is still able to deliver a three-quarters-male audience that's considered prime for selling autos, tires, beer, personal computers, insurance and financial services. "We demonstrated that we could deliver 1,000 male viewers for half the price [of networks] *and* as a bonus, the 1,000 men we would deliver would be more affluent in terms of income, occupation and education," Grimes boasts. "Despite the soft marketplace for advertising, we have increased our advertising share." ESPN, which turned its first profit last year, expects ad sales this year of $80 million.

Some cable networks, like USA and WTBS, go for the broad mainstream of the audience, but most resist the impulse: They specialize in matching narrower audiences with appropriate programs and advertisers. FNN, for example, attracts a small but affluent audience—57 percent of its viewers live in households with incomes over $30,000. But specialization has its own disadvantages. "No cable network wants to remain small," says Erica Gruen, a vice president of the DFS Dorland Worldwide ad agency. "The paradox for cable networks is to grow, yet retain a unique identity."

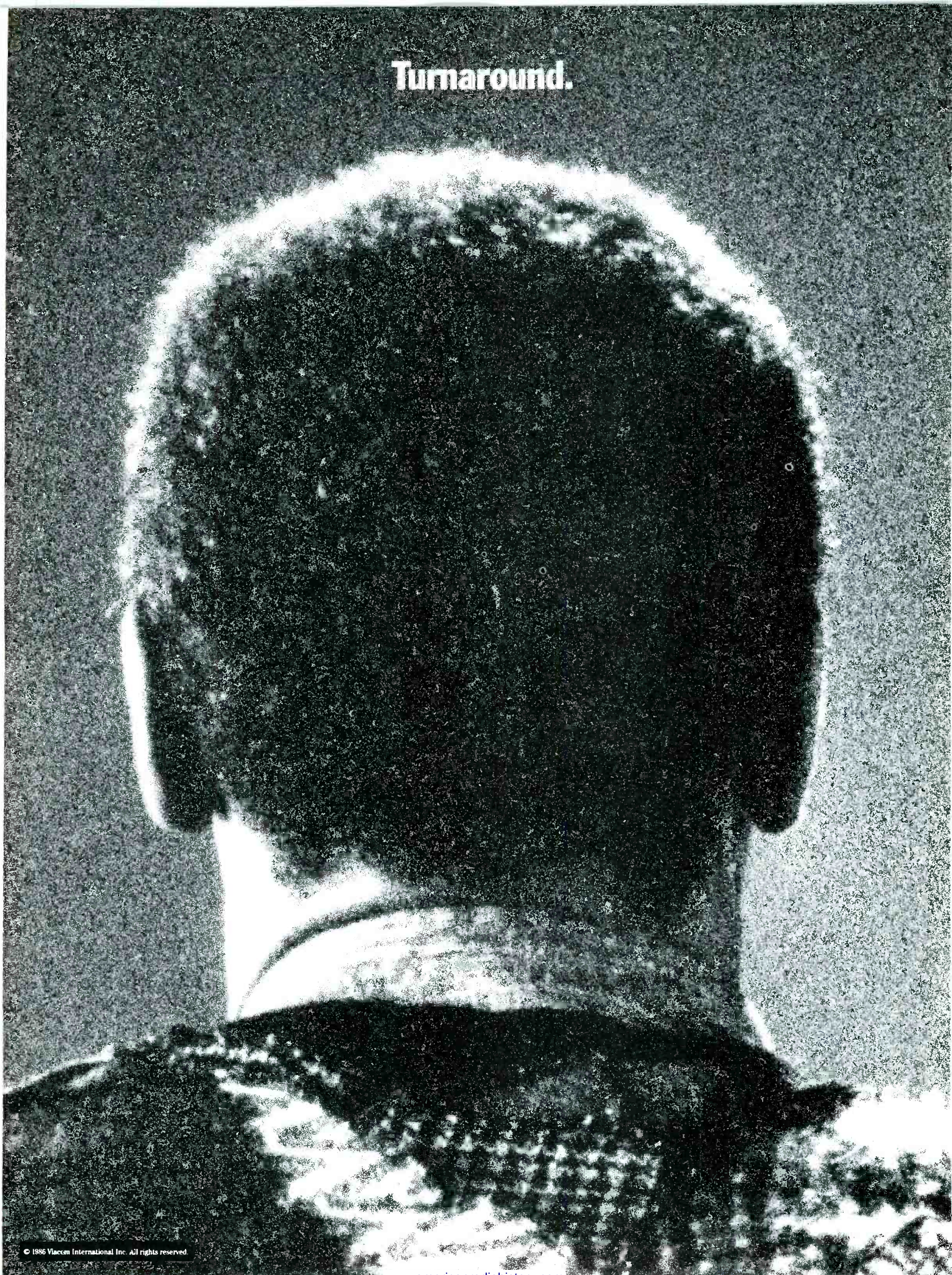
Cable hasn't joined the big leagues of ad media so far, but it is rapidly moving in that direction. Its ad revenues, just $50 million in 1980, are estimated to reach $948 million this year, according to Paul Kagan Associates. Kagan expects the figure to double by 1990 and again by 1995. The growth in the past came with cable's growing penetration: In 1980, 23 percent of households were wired; this year, penetration reached 50 percent. Further growth will require better programming and promotion, says Robert Alter, president of the Cable Advertising Bureau. "More system operators are saying, 'Now that our heavy construction expenditures are behind us, we can use the tremendous cash flow we're beginning to generate and put it back into programming.' "

So far, the broadcast networks retain many advantages over cable—access to 43 million more households, higher budgets allowing more expensive programming and polished promotional skills. "But none of those are *new* strengths," Grimes counters. "Despite those advantages, the networks' audience share has slowly and continuously eroded since 1978." He points to the growing inventory of selling time on AOT. "That has resulted in the networks' malaise," says Grimes, "and it's not going to go away, because the new competition is not going to go away."

Publicly, at least, the networks see little to worry about from AOT. Barter? Reaching a saturation point. Cable? Too narrow to appeal to most advertisers. Murdoch's Fox network? Good luck—he'll need it.

And in the meantime, what do the networks propose to do to recapture the initiative? "Superior programming," says Larry Hoffner, NBC sales vice president. Executives of ABC decline to comment. And CBS' Dominus says the networks need to reach out to new advertisers and remind everyone of "the power of network television."

Is there any chance the networks might have to scale back their programming? Dominus laughs. Advertisers would be "committing suicide" if they destabilized the system, he says. Should the networks try to target narrower audiences, as cable, syndicators and independent stations do? Again, Dominus laughs. "No, we're *broad*casters, not narrowcasters," he says. "We're not ESPN, we're not FNN. And I don't ever want to be." There's something else Dominus is certain about: "No lacrosse on CBS."


Turnaround.
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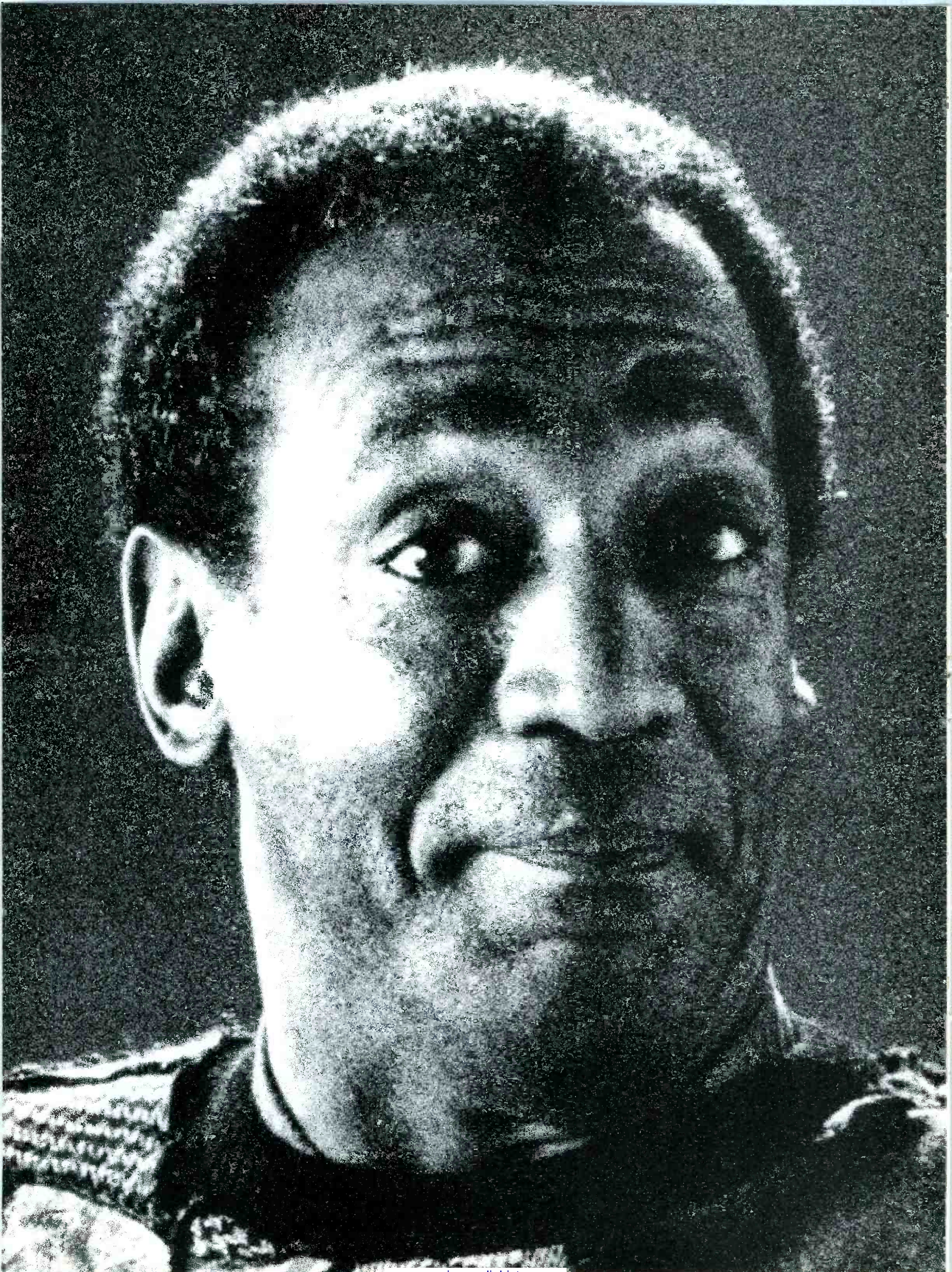


The Cosby Show.

It's a show with an ability to affect ratings and revenues that is unprecedented. A show that has such stunning power that it helped turn around a network, moving it from number three to number one.

Since it premiered two years ago, it's a show that has been first in its time period every single week. A show whose repeat episodes beat all other prime time programs in their original telecasts.

It's a show, in short, with a powerful extra dimension. We call this extra dimension The Cosby Factor.

Beginning September 1988, The Cosby Factor can work for you. If you're number one, it will keep you there. And make you stronger. If you're not, it will help get you there.

The Cosby Factor: Profit from it.

Viacom®

Rep Tide: Shifting Currents for Spot Sales Firms

Selling everything from advice to *Divorce Court*, ad repping has become an indispensable, $6 billion business. **BY JONATHAN BLACK**

War may not be a totally inappropriate metaphor. Katz Communications, the giant of the ad rep firms, which convince national advertisers to buy commercials—or "spot" advertisements—on local TV and radio stations, deploys divisions with names that sound like military platoons: Red teams and Blue teams, Sabers and Swords. Across town in Manhattan, Katz's chief rival, John Blair & Co., has a 90,000-square-foot headquarters with slanted smoked glass and high-tech Corinthian columns reminiscent of the command center of a James Bond supervillain.

Behind the lines, the reps' programming and research staffs analyze intelligence data and draw up strategies for clients, deriving power from audience information. And with that information and their batallions of salespeople, the rep firms, which used to operate in relative obscurity, have gone to battle in the front ranks of the TV industry. This past summer Blair was fighting battles on two fronts: It was trying to avert a hostile takeover and hold on to its largest client, the station group owned by Capital Cities/ABC. Blair won the first fight, yielding to a friendly takeover by Saul Steinberg's Reliance Group Holdings Inc. It was not so lucky with Cap Cities/ABC. Faced with the choice of assigning its stations' spot selling to Blair or ABC's in-house spot sales team, the network ditched Blair.

Jonathan Black is the managing editor of Playboy *magazine.*

The Blair sales force works out of a high-tech command center in New York.

"It was a very, very tough decision," says Larry Pollack, president of Cap Cities/ABC Owned Stations East and a key figure in the choice. "But when it came to the crunch, we wanted to be in charge of the operation ourselves. There are so many things networks don't control these days. We wanted to be in control. The sales dollars at stake are enormous."

As Pollack sees it, the total potential sales dollars in the Cap Cities/ABC markets hovers around "one billion—that's with a B," he says. Indeed, the station rep business *is* a huge one. Jerome Feniger of the Station Representatives Association, an industry trade group, estimates total billings last year at upward of $6 billion—almost three-fourths the amount spent in network television.

Losing Cap Cities/ABC was a major setback for Blair, meaning a drop of some $100 million in billings, perhaps one ninth of its total. Yet Blair still has the second-longest client list—135 stations—next to Katz, which has 195. Of the 35 firms in the business, only five have client lists of 50 stations or more (see box).

Repping began when Emanual Katz, a wily salesman for William Randolph Hearst, came east to sell ad space in Hearst's *San Francisco Examiner*. Katz had Hearst's backing as he set up a separate, national company, which later expanded into radio and television. As recently as 15 years ago, the overwhelming majority of television advertising was sold out of New York and Chicago, which meant many stations could dispatch salesmen with some economy of effort. Today, few stations or even station groups can maintain staff salesmen in Atlanta, Los Angeles, Dallas and a dozen other cities that have become regional hubs—though Group W, Storer and the network-owned stations continue to do so. "Without reps it would be impossible to cover the country," says Jim Babb, executive vice president at WBTV, Charlotte, N.C. Babb's station, flagship of the Jefferson-Pilot chain, hired Petry Television 12 years ago to sell spot advertising.

Blair's loss of the Cap Cities/ABC stations underscores the vulnerability of reps in these times of soft network ad sales and shifting station alliances. The big reps need not worry too much about being ambushed by start-up competitors. This is not, after all, a field that readily welcomes newcomers. Luring station clients requires a regional sales base—each of the big-five independent rep firms has a sales staff of 150 to 300—and maintaining that base requires a constant influx of revenue from sales.

The reps increasingly have found they can enlist station clients by touting more than a crackerjack sales force. Increasingly, they're offering a contract bulging with such extra support services as advice on tax sheltering, debt collection, sales techniques and syndicated program selection. At TeleRep, for instance, a six-person division instructs station salespersons on how to snatch floating co-op ad subsidies (made available to local retailers by national brands) even though TeleRep gets no commissions on those strictly local time sales.

There is, however, a clear link between an ad rep's extra support services, especially advice given on programming, and the firm's self-interest. An ad rep's commissions—which range from 7 to 25 percent but are typically 8 or 9 percent—depend indirectly on the ratings of the programs in which its ads appear. "What do we sell?" asks Ken Donnellon, a Blair vice president. "Audience. What gets audience? Programs."

The role of the reps in programming dates back to the early '60s, when stations began programming local time periods with syndicated fare. Today, there is so much syndicated programming in the market that stations, faced with buying and scheduling decisions, need a broader perspective than they can achieve locally. How did *The Price Is Right* fare against *Jeopardy!* in Chicago? Did *The Honeymooners* get a 10 in early fringe in Topeka? An obvious source of this intelligence is the station's rep. With statistics at their fingertips and access to national markets, reps have valuable wisdom to impart.

As independent stations have proliferated in this decade, availability of hot off-network programming has been exceeded by the demand, and program costs have shot up, making the right local program decisions all the more crucial. The price of a mistake has often been disaster, especially in early-fringe time. With high-stake decisions awaiting, local stations have readily seized on help from their logical allies, their reps.

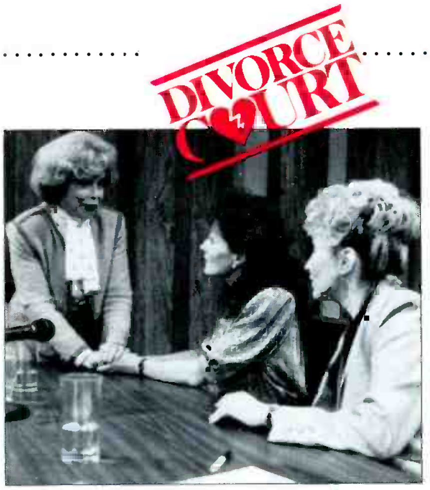
"We have stations who wouldn't go to the bathroom without consulting Blair," says Mike Levinton, the rep firm's candid director of programming. Like other rep firms involved in programming, Blair offers only consultation, as Levinton is quick to point out. "We're advisers, with no real clout. We just have influence."

Each of the reps maintains a very active programming department. Blair has eight programming staffers, Petry has seven, Katz eight, Seltel 11. The staffs command valuable resources, including sophisticated computers that crunch hefty amounts of ratings data. Potential clients, as part of the Katz pitch, are shown an eight-minute promo tape that extols "Comtrac! Half a million dollars. Problem solving. Program consultation. The only machine tied into Nielsen. Rate films—what, when, how much. Stack the deck in your favor!" Not to be outdone, Blair touts its 30,000-mile data network, which connects its offices and most client stations. No tour of Petry headquarters is complete

Pete Goulazian, president of Katz

Jack Fentress, Petry's programming director

TeleRep currently produces *Star Search* (above) and is a partner in *Entertainment Tonight*.



Dr. Joyce Brothers on Blair Entertainment's *Divorce Court* (top), a show with the perfect "sex and sleaze" for early fringe. Blair also distributes *Strike It Rich* (above).

without a glimpse of the firm's big, throbbing mainframe in its air-cooled cell.

The reps' programming staffs themselves are also information sources. They need to know both national trends and local markets; *Wheel of Fortune*, the syndicated game-show hit, may prove a calamity in a station whose reputation is built on information or afternoon kiddie shows. Jack Fentress, Petry's programming director, likes to stress that his staff has worked both sides of the fence: "All my people are either ex-producers or ex-station managers."

Others have worked in the rep business for years. Levinton, for example, has held programming and research jobs at four rep firms over 27 years. He was the first to intuit the potential of *Wheel of Fortune* and was also an early champion of *People's Court* and a big enthusiast of the subsequent *Divorce Court*. The two court shows seemed the perfect "sex and sleaze" to hold the 4 P.M. hour after the network soaps. "The synergism was magnificent," he says. Levinton has also had his share of flops. He predicted that *The Price Is Right* would score big in the prime time access period. *Price*, he assumed, had enough "familiar elements" to overcome the liabilities of a new host and a new half-hour format. His advice proved wrong, and he quickly retrenched. At 7:30, he realized, there were too few viewers familiar with *Price*, so he urged moving it to the afternoon, where it got respectable numbers. But Levinton has trusted his instincts in other cases. Though *Dallas* scored big in syndication after he recommended against it, he persisted in his belief that *Falcon Crest* and *Dynasty* would do poorly in syndication, and so far that has been the case. "When we're a success, stations like to credit their own decisions," says Levinton with a smile. "All the deals that went sour are the fault of their stupid rep."

Petry's Jack Fentress waves a bunch of stapled sheets, a mere three days' phone messages. He quotes: " 'We're thinking of buying this; what should I do?' 'My competition's showing *Wheel*; what's your suggestion?' 'We're retiring *P.M. Magazine*; any ideas?' " Out in the heartland, Jerry Watson, general sales manager at KAKE in Wichita, consults weekly with Fentress. "They give us a great deal of research data. They give us a *great* deal of help in programming."

The reps' advise-and-consent role does not sit well with all syndicators. Protocol and prudence require that syndicators funnel their programs through a rep, whose thumbs-up or thumbs-down can spell megahit or oblivion. This leads some syndicators to view reps as "deal-breakers" rather than deal-makers. Says Fentress: "Syndicators and distributors don't like us worth a damn."

No small part of that wariness comes from the reps' own ventures into program production and distribution. A division of TeleRep, for instance, created the ad hoc network Operation Prime Time, which carried such movies as *Sadat* and *A Woman Called Golda*. TeleRep currently produces *Star Search* and is a partner in *Entertainment Tonight*. Blair Entertainment, an arm of Blair, produces *Divorce Court* and distributes *Strike It Rich*. In the abstract, it makes perfect sense for a rep with instant access to audience data to create shows. Who would be better equipped? In practice, of course, an obvious conflict of interest arises.

What happens, for example, when a Blair rep advises against airing *Divorce Court*? Does he risk flak from upstairs? Emphatically no, says Levinton. The ironclad rule is autonomy. Blair, like all reps, takes steps to ensure that each division is entirely separate. But such subtleties may be lost on the stations. "Station managers always feel taken if they buy a Blair program," acknowledges a frustrated Dick Coveny, president of Blair Entertainment. "They accept the situation but they don't like it. The reality is—we are separate. But the perception is that we are the same company." (Several ad rep firms, including Blair, Katz and Storer, also own TV stations, or are part of companies that do.)

The situation can also make

syndicators uneasy about sharing valuable information with a rep firm that also produces shows. Syndicators, for example, generally share figures on the percentages of stations clearing their shows. Otherwise, says Levinton, a rep recommending a certain program can hear: "Schmuck! Channel 6 across the street just bought that!" But syndicators can become understandably antsy at the thought of a Blair sales rep slipping confidential clearance data to the honchos at Blair Entertainment.

Reps' assistance to stations is not limited to advice on programming. Reps have also spoken out against 15-second spots and the commercial clutter they think makes TV advertising less effective. And though few reps will admit it, they also collect and feed data to network-affiliated stations to help them negotiate with the networks for higher compensation—the fees that networks pay to affiliates. "We would, on request, provide that information," says a very cautious Pete Goulazian, president of Katz Television Group. Reps, too, can try to lure new categories of advertising to client stations. Katz, for example, has hammered away at agribusiness advertisers, who put relatively little ad money into TV.

Developing new sales areas is important for the spot business, which is not growing as fast as it once did. Spot sales are, however, growing faster than network sales, according to Goulazian. "I like the future of spot," he admits, not surprisingly. Because of this, some fear an incursion by the networks. For some time, the networks have competed directly with spot by selling time on regionally clustered affiliates, especially in the Sun Belt. The volume so far might seem negligible—the networks claim regional buys make up only about 2 percent of their billings, but some reps are concerned. "They *say* it's a little," says TeleRep's Dan Kelly. "Who knows? All the info is with the networks and they are not going to let us see it."

The competition that reps face from each other—because of their sheer numbers in the marketplace—is also a matter of speculation. Clearly the Cap Cities/ABC setback does not augur well for Blair. "Significant but not crippling," is the assessment from Alan Gottesman, a research analyst at the investment banking firm of L.F. Rothschild, Unterberg, Towbin. But Katz's Goulazian is more concerned, and says the selection of ABC's in-house sales team "is clearly not a vote of confidence in the independent reps." A similar decision faces Lorimar-Telepictures, now owner of the former Storer stations and their in-house rep firm. And the long-term prospects for the smaller independent reps seem shaky.

The outlook for the larger firms is not much clearer. Some in the industry question the bigger-is-better strategy of the rep industry's long-list giants. "When you are small," notes Gottesman, "you can outperform the industry. The reps now are too big. They are at a point where their financial health is a function of the business in general." Gottesman also believes the number of reps won't fall much further: "The number is irreducible since a rep can rep only one station per market."

That, however, is only a matter of opinion. Rep firms are already talking cautiously about taking on more than one station per market, using separate sales forces. Katz, which has doubled its station list in a decade and now has clients in all but a few markets, looks like the most likely to break the controversial barrier. "We could do that," acknowledges Goulazian, "but we would have to be damned sure it wouldn't compromise our position. It would have to be a pretty compelling situation. Certainly the initiative couldn't come from us."

Someone would have to ask him nicely. ●

BROKERS' DOZEN

Nearly a third of the TV advertising sold last year—some $6 billion worth—was spot time brokered through national sales rep firms—the bulk of it through the 12 listed below. Three of these leading reps are divisions of ABC, CBS and NBC that serve only network-owned stations. (All three declined to disclose their billings.) The figures, except as noted, come from the reps themselves. Katz will probably take first place in billings this year, reflecting Blair's loss of four Capital Cities/ABC stations to ABC Television Spot Sales.

AD REP FIRM	1985 BILLINGS, IN MILLIONS	NUMBER OF STATIONS REPRESENTED	NUMBER IN TOP 50 MARKETS
Blair	$830	135	42
Katz	801	195	31
TeleRep	650	48	38
Petry	571*	76	33
HRP	399*	32	17
MMT	350	62	41
Seltel	225	97	17
ABC	205*	8	7
Storer	203	7	6
NBC	189*	5	5
CBS	178*	4	4
Group W	160	5	5

*Firm declined to disclose its 1985 billings; competitor's estimate is used.

COMPILED BY HALL MORRISON

Burning the Midnight Snake Oil

At the unlikeliest of hours, real estate evangelists and Herbalife holy men are pushing some cable networks into the black. **BY JOHN MOTAVALLI**

There's a slick-looking guy, trim and deeply tanned, working a crowd Sunday nights on the USA cable network. He says things like: "You will see the most unbelievable things happen in the world . . . We can make this a better place for people to live in . . . God bless every one of you."

He might be mistaken for one of those evangelists so ubiquitous on Sunday cable except that he wears a $1,500 Bijan suit, a white tie and a gold Cartier watch. If the preachers tend to be self-conscious about their TV-gotten wealth, this fellow, Mark Hughes, founder and chief executive officer of Herbalife International, flaunts it. In fact, that's the whole point of his pitch: Be a salesman for the Herbalife diet-product line and become as rich as he.

Although Hughes is a spiritual descendant of the TV pitchmen who blighted the medium in its early days, today he represents a new kind of advertiser who uses television in a new way: a breed known as "venture programmers."

As his program continues, in a style that seems adapted from an est seminar, dozens of smiling, expensively dressed couples come onstage to tell how Herbalife helped them lose weight, make scads of money and solve most of their worldly problems.

Herbalife International, a Los Angeles-based company specializing in a pyramid-style sales approach, claims to have enlisted more than 700,000 sales people and to have annual revenues exceeding $500 million. "There's no limit to how much you can make selling Herbalife," says Jack Lund, vice president and director of marketing. "Many of our sales people are making over $100,000 a month."

Herbalife's Hughes: descendant of the TV pitchman

In common with perhaps a score of other venture programmers, Hughes has a marketing strategy that involves extensive cable and broadcast TV advertising—not with conventional 30- or 60-second spots but with purchases of one- and two-hour blocks of time. These pitchmen-programmers design their shows along well-worn lines; Herbalife's, for example, has elements of the game show, the desk-and-sofa talk show and the Jimmy Swaggart spiel.

Switch off Hughes on USA, turn on Black Entertainment Television and there's fast-talking Ed Beckley with his venture program, *The Millionaire Maker*. Beckley is more than willing to share the secrets by which he made a fortune in real estate investments. "The world doesn't care if you make it or not. That's your responsibility," he thunders, looking straight into the camera. The keys to success are right there at your fingertips, an announcer explains, leading into the pitch for Ed's 200-page manual and 15 hours of audio tapes, all for $295—money back if not fully satisfied. This kind of advertising, with its promise that the course can help you "retire in three to five years working only one weekend a month," helped Ed's company, The Beckley Group, sell more than $35 million worth of home-study materials last year.

Moreover, his shows are fairly popular. "We often get 1 or 2 ratings in late-night fringe time," says Bob Schulte, a media buyer for The Fairfield Group, which purchases TV time for Beckley. "We do as well as Johnny Carson does in some markets."

Venture programming has become an important revenue source for a number of advertiser-supported cable networks and struggling broadcast stations, helping nudge some of them into the black. According to industry estimates, these shows attract about 3 million viewers a week and collectively contribute as much as $200 million a year to cable and station revenues. This is hardly insignificant money to cable, which this year will earn about $1 billion in ad sales industrywide, a fraction of the amount flowing to broadcast television and radio.

Nevertheless, several cable programmers and one key cable operator—John Sie, senior vice

John Motavalli is an associate editor of Cablevision *magazine.*

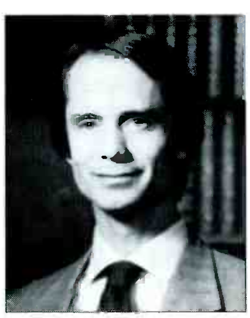
president at Tele-Communications Inc., the nation's largest multisystem operator—aren't happy that the shows have become a cable staple. They see them as a debasement of the medium and a practice whose short-term benefits may prove harmful in the long run. "Late-night cable has come to be a venture-programming ghetto," observes Larry Gerbrandt, an analyst with the newsletter publisher Paul Kagan Associates.

As an indication of how big this business has become, one of the most active of the venture programmers, Ray Lindstrom, owner and chairman of the board of the Phoenix-based Media Arts International, estimates that he's spending almost $1 million a month purchasing 500 hours of cable time on such services as Black Entertainment Television, USA Network, Lifetime, The Nashville Network, The Learning Channel, Financial News Network and Tempo (a completely leased-access service). Lindstrom, a canny marketer with a background in radio, has presented a host of programs featuring real estate supersalesman Paul Simon, with his *Get Rich with Real Estate* show, who claims to have generated more than $20 million in revenues, and Hal Morris, another early pioneer in venture programming. Morris got his start with a *Donahue*-style talk show in 1982, selling his expertise in real estate investing, and he hasn't stopped since. His most recent endeavor with Media Arts is *Get Rich with Pennystocks*, one of 12 such programs Media Arts is currently placing, almost exclusively on cable. Depending on the time period, Lindstrom estimates that he's paying between $500 and $20,000 per hour for this time, and he's bullish about the medium.

"On USA Network I can buy an hour for $20,000 and be available to 30 million homes," he says. "If I wanted to buy New York broadcast time, even Saturday morning would be costing me $35,000, and I wouldn't be reaching nearly as many people."

Ad-supported cable networks concerned about their bottom line have found venture programming hard to turn away. Black Entertainment Television devotes some 26 hours a week to it, hardly an easy fit with the *Video Soul* music features and talk shows on black issues that make up the cable channel's regular programming day. USA Network, which has just made a $30 million investment in high-profile first-run programs, still carries about seven hours of venture programming a week, according to John Silvestri, senior vice president of ad sales. Silvestri estimates that USA could be bringing in $2 million a year from Herbalife, Media Arts, Beckley and other such programmers. "We run the shows Mondays after 1 A.M. and Sundays after 11 P.M.," he notes. Silvestri says that USA checks every show's claim with the network's legal department, but nonetheless a Cable News Network investigation into Herbalife in March 1985 found that many of the company's weight-loss products contained powerful laxatives, that many of the claims to dramatic health benefits were greatly exaggerated and that, although Herbalife officials spoke of an extensive research lab and a battery of Ph.D.'s, the company's main additive expert got his degree from a correspondence school.

One of the cable services most dedicated to venture programming is Gaylord Broadcasting's The Nashville Network. Executives at Group W, which markets and distributes the channel, estimate that both TNN and its affiliated service, The Discovery Channel, are pulling in about $6 million a year from such shows. TNN carries them between 3 A.M. and 9 A.M. but Lloyd Werner, Group W's senior vice president of sales and marketing, argues that venture programming is not carried on TNN at all, but on its transponder, since the shows run only after the network signs off.



Millionaire Maker Beckley: 'The world doesn't care if you make it. That's your responsibility.'

Such arguments don't fly with the genre's critics, including TCI's Sie, who maintain that venture programming has a negative impact on format integrity. "They're long-form commercials, and we don't think they're a good idea," he asserts. Furthermore, it's not the programming TCI contracted for. "We've made agreements with the networks, with ESPN for sports or The Nashville Network for country music and related shows, not for this kind of programming." Sie has proposed that programmers supply a cue tone so that cable operators can automatically blank out venture programming, a concept that has not sold well in cable network boardrooms. Kagan's Gerbrandt agrees that such shows play havoc with cable formats: "It doesn't help with identification of individual cable networks. And this is happening at a time when cable is seeking to increase viewer identification with the services and make its programming distinctive."

In the midst of the controversy over venture programming, the shows seem to be hitting some bumps. Beckley representative Schulte says Ed hasn't been doing so well with his *Millionaire Maker* show lately, since the demand for no-down-payment real estate investing has apparently peaked (a flood of similar shows in the marketplace also led to a glut). Beckley is now experimenting with a new one-hour show called *Cash on Credit*, offering a number of home-study courses with audio tapes and accompanying manuals. Earlier this year, Beckley was claiming *weekly* revenues of some $3 million, and was projecting a 1986 gross of $150 million. It's likely that these projections will have to be revised downward.

Herbalife's Lund says the company's weekly 11 P.M. Sunday shift on USA has been cut back to the first and last Sundays of the month because of a shortage of newly produced programs (there are about 20 in all). And Lindstrom, whose Media Arts International has been, with Beckley, in the forefront of the business, is preparing to change this approach entirely and take his burgeoning 500-hour-a-month cable schedule into home shopping.

"Real estate is not appreciating so well these days, and there's a lot of concern about the new tax structure," Lindstrom explains. He plans to join forces with a national fulfillment house and produce a home shopping network that would span the cable dial, reaching tens of millions of homes. If Lindstrom can get this idea past the cable networks, he could create one of the most visible of the new home-shopping channels, which have experienced tremendous success in recent months. The idea is not fundamentally different from that recently announced by the Home Shopping Network, which is currently building a network of 14 UHF stations in the top 20 markets to supplement its extensive cable operation. Lowell ("Bud") Paxson, president of HSN, thinks Lindstrom's idea is a good one, but he predicts that cable networks and operators alike will want to be cut into the action before the idea can fly. HSN currently gives operators a 5 percent take on gross sales in cable franchise zip codes, and plans a similar incentive arrangement for its UHF affiliates.

Whichever way this all shakes out, it's a good bet that late-night cable is going to continue to be a haven for hucksterism. The financial incentive is just too strong. Gerbrandt argues that the best tack for cable programmers is to use the shows to their advantage. "The best thing about these shows is that cable doesn't have to spend this revenue on programming, and it allows them to sell time that might not otherwise be sold, in essence doubling the profit." And some cable programmers argue, quite convincingly, that the shows have legitimate entertainment value. After all, Herbalife's show has had performances by Frankie Avalon and Wayne Newton. And there's always been an audience in this country for conspicuous moneymaking, as long as the impression can be maintained that "people just like yourself" are cashing in as well. In a country where Lee Iacocca is touted as the last hope of the Democrats, all of this has a crazy logic. ●

PRIVATE EYE

by William A. Henry III

John Mortimer is doing work historians rarely attempt: reaching beyond facts to define changes in a nation's soul.

A MASTERPIECE WORTHY OF THE NAME

Until recently, one of the sustaining clichés of American television criticism was that British producers do it ever so much better than we do. Then critics adopted a countercliché—that the British typically do it worse, but that their tattier efforts don't often make the Atlantic crossing. In most categories of programming, the relative merits and demerits of the two systems lie in the eyes of the beholder. Whether the blue-collar woes of *Coronation Street* are any more worthwhile than the upscale nastiness of *Dallas*, whether the uninstructive silence of most BBC sports commentators is preferable to the jolly loquacity of ABC's *Monday Night Football* crew, whether the decades-long endurance of Britain's *This Is Your Life* is more embarrassing than the smarmy longevity of *The Love Boat*—all these are matters for debate among reasonable people. But in one realm of television, the miniseries, the British are unquestionably superior, and an irrefutable proof of that premise is airing now on PBS.

Paradise Postponed is the opening work of this year's *Masterpiece Theatre* season, and more than any offering since *I, Claudius* it justifies that overblown designation. *Paradise* has all the hallmarks of British quality: a superb cast, led by Michael Hordern (Prospero in *The Tempest* for the BBC's Shakespeare series) and David Threlfall (the battered Smike in stage and TV versions of *Nicholas Nickleby*); dialogue that is elegant yet still true dialogue rather than mere plot summary; scenery that is evocative, not just decorative; and skillful story construction, including the full range of come-back-next-week plot hooks. But what truly distinguishes *Paradise* and the best of its kin is intellectual daring, the willingness to tell a story of deeper meaning and the democratic faith in an audience's ability to comprehend it.

Paradise Postponed cast: (clockwise from upper left) Paul Shelley, Peter Egan, Annette Crosbie, Sir Michael Hordern

MOBIL MASTERPIECE THEATRE

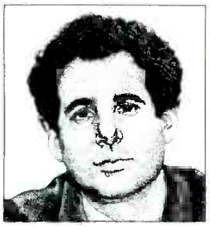
Outwardly a sort of genteel mystery probing the reason a left-wing Oxfordshire clergyman (Hordern) chose to leave his sizable wealth to a vengeful up-from-dirt right-wing cabinet minister (Threlfall), *Paradise* is metaphorically nothing less than a depiction of what has happened to the entire British class system since World War II. It is unmistakably a lament for a debased modern world, particularly satiric in its view of television and letters. But it is no exercise in nostalgia; it savagely evokes the condescension, hypocrisy and rigid inequality of Britain in the waning days of Empire. Nor is the story simply British. In its understanding of ambition and its price—of how you may actually *become* your enemy in the drive to destroy him—the tale of politician Leslie Titmuss probably sheds some light on the inner life of, for example, Richard Nixon.

There is plenty of adultery in *Paradise*, more than a smidgen of violence and a cavalcade of greed, treachery and betrayal. But none of it seems tacked onto the plot, committee-style, as is so often the case with Hollywood miniseries. Instead, such sins and, by the same token, such world events as the John Profumo scandal, the rise of antinuclear protest and the election of Margaret Thatcher are all plausibly interwoven with the fabric of family life in the picturesque hamlets of the fictive Rapstone Valley.

The writer, John Mortimer, who earlier wrote the superb screenplay for *Brideshead Revisited*, is not simply popularizing history. He is doing work that historians rarely attempt, at least about eras near their own: He is reaching beyond facts and statistics to define changes in a nation's psyche and soul. He thereby renders his two central characters, the seemingly saintly cleric and the patently odious politician, not merely believable but necessary. Just as Britain's last great miniseries, *The Jewel in the Crown*, made the destructively ambivalent Ronald Merrick—sick with secret love for the men of India, yet sadistic in his treatment of them—the face of the Raj, so the society Mortimer envisions is one that brings his self-negating characters into being. Still, their interplay is so absorbing that the larger consequence of these lives comes as a slow-dawning, then a gratifying, discovery.

Perhaps the most instructive fact about *Paradise* is that, unlike *Claudius* or *Brideshead Revisited*, or such noteworthy American examples of the genre as *Roots*, *The Winds of War*, *The Thorn Birds* and *Rich Man, Poor Man*, it was not adapted from a popular novel but commissioned from the start for TV—and in true show-biz style, over lunch. The BBC's then managing director, Brian Cowgill, asked Mortimer to create a sweeping survey of the past few decades. Mortimer developed that notion in microcosm. He proceeded to write the *Paradise* story more or less simultaneously as a screenplay and as a novel. Then he stuck around to oversee this landmark TV production. Says Mortimer, almost offhandedly: "In TV, you're in the studio when it's shot. If there's something you don't like, you can alter it then and there." How many Hollywood writers, even those of renown, can say the same about working with our networks? And how much better would our miniseries be if writers were there on the scene, protecting the story? ●

WASHINGTON



by Joel Swerdlow

HEARD ANY MUST-CARRY JOKES LATELY?

The controversy surrounding the "must-carry" issue provides a first-rate example of why Will Rogers used to call Washington "the old joke factory."

Back in 1972, the Federal Communications Commission ruled that cable systems were required to carry all local broadcast signals. Last year, a federal court declared this an infringement of cable's First Amendment rights. The FCC, which wants to kill must-carry in the name of deregulation, made the decision not to appeal the ruling. This pleased the cable industry but angered broadcasters, who oppose government regulation except when it helps them.

House and Senate committees responsible for communications issues, aware that must-carry affects what Americans see on their TV sets, told the FCC that some rules had to be re-imposed. This created an amusing situation: an agency forced to reconstruct rules it had begun to destroy.

The situation was amusing indeed: an agency forced to reconstruct rules it had begun to destroy.

What happened next—while more amusing for the process than for the substance—is worthy of Churchillian description: Rarely have so few been so unnoticed while doing so much that affects so many. Broadcast and cable industry representatives got together and drafted a compromise position; then their lawyers and lobbyists began working overtime to convince FCC members and key staffers that this compromise should become government policy. One participant estimates that during the summer of 1986 alone, these lawyers and lobbyists billed their clients more than $2 million for whispering into FCC ears.

DOUG TAYLOR

In August, everyone gathered at the commission to hear the "new" must-carry rules, which had been guarded with secrecy worthy of the stealth bomber. The FCC didn't disappoint. It dropped a bomb. The commission ordered, among other things, that cable operators provide subscribers with "A/B switches," which would allow viewers to jump back and forth between over-the-air and cable reception. The purpose was to make it easier for subscribers to view those over-the-air stations that would be thrown off cable under the new must-carry rules. Surprise turned to shock, then to self-deprecating laughter, when it became clear that the only person to advocate these switches formally was a little-known Massachusetts cable system owner, Richard S. Leghorn.

Washington's rumor mill could not admit that all the lobbyists and lawyers had been less influential than Leghorn, so a story began to spread: One former FCC chairman had been seen walking the commission's halls, smiling and waving an A/B switch. The implication was obvious: Switch manufacturers had hired a superinsider to pull off the coup.

"Never did any such thing," the former chairman said in response to a telephone inquiry. "I have no idea who even makes A/B switches."

The next call went to a major retailer of A/B switches. Since experts were estimating that several hundred million dollars' worth of switches would be needed, you'd think industry sales representatives would already be working overtime.

"Oh, was that the decision on semiconductors?" asked the woman to whom the call had been referred.

"No, it wasn't that decision. A/B switches are different from semiconductors."

"Oh yes. That was the decision by Congress."

"No. The FCC."

"SEC?"

The call wound up in the office of the company president. He was happy to discuss A/B switches, but had never heard of must-carry. The vice president of merchandising, he said, would know all about it. When *he* got on the phone, he said he was "not aware" of the FCC decision, but it sounded like something his company should watch.

The FCC received more than four linear feet of comments on must-carry. These reveal a curious pattern: Everyone, especially cablecasters and broadcasters, seems to favor only the public interest. But their definition of "public interest" always seems to coincide with what will maximize profits.

No one really knows what the must-carry decision will mean. A/B switches raise difficult technical questions. Cable engineers say A/B switches, installed according to FCC guidelines, could cause signal leakage that might disrupt aircraft navigation.

Leghorn says he has nothing to gain and simply believes that A/B switches promote competition. He describes himself as "nondescript," 67 years old and entering his "pro-bono years."

"My position needed to be taken and no one was taking it," he explains. He reluctantly says his advocacy cost him about $20,000 (not counting his time), disturbing evidence of the cost of independently trying to shape communications policy. We'll never know what the FCC would have done without Leghorn. At a minimum, he demonstrated the best of political skills, a sense of timing. He was at the right place at the right time with the right idea.

Leghorn says he doesn't take things too seriously. He now plans to get involved in two other issues—copyright and the relationship between telephone companies and cable operators. After all, he asks, "Why shouldn't I have a little fun?" ●

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THE HOLLY-WOOING OF WASHINGTON

by Patricia E. Bauer

Nowadays, partisanship and ideology are seldom factors in political fund-raising by the entertainment industry. Business rules.

The toniest invitation in town this fall came in a plain black audiocassette.

"Join me at my ranch under the stars," a familiar voice urged. "We'll have dinner, watch the sunset, share the music and send a message. All the best, Barbra."

It was the kind of political fund-raiser this town is known for: a $5,000-a-couple get-together hosted by Barbra Streisand to raise $1.5 million for Democratic senatorial candidates. It was a purely partisan affair. That's what made it the exception to the new rule: Partisanship and ideology are seldom motivating factors anymore. The motivating force is business.

The Hollywood-Washington connection is not new. Members of the so-called Malibu Mafia, most notably producer Norman Lear (who owns this magazine), have worked on both industry and social issues for years. Celebrities like Warren Beatty and Ed Asner have associated themselves with liberal causes, while Bob Hope, Frank Sinatra and Charlton Heston have lent support to conservative issues.

But these days we're seeing a greater willingness by the powerful people *behind* the camera—studio executives, producers, lawyers, finance people—to step out front with money and support for political causes and candidates who are in tune with their interests, regardless of party or ideology. It's a case of pure self-interest.

STEVE SCHAPIRO/GAMMA LIAISON

Rosanna Arquette joins Streisand at a Democratic gala: The exception to the new rule of advocacy fund-raising.

At the height of the fall election campaign, MCA chairman Lew Wasserman hosted a reception at his Beverly Hills home for Florida senatorial candidate Bob Graham, a Democrat. Wasserman has also hosted events for Republican Senator Pete Wilson of California. Barry Diller, chairman of Twentieth Century Fox, sponsored receptions for Senator Patrick Leahy of Vermont and Senator Alan Cranston of California, both Democrats. Earlier this year, Michael Eisner, chairman of Walt Disney Productions, hosted a reception for Graham.

Candidates say it's bad manners to talk about the takes from specific fund-raisers, but insiders say the support of Hollywood heavies can help bring in pledges of $70,000 or more in one night. Why? Because the secret of successful political fund-raising in Hollywood is the same as it is in Roanoke, Schenectady or elsewhere: The more powerful the sponsor, the more money you bring in. "If [MCA chairman] Lew Wasserman chooses to do a fund-raiser for someone, it's a command performance," says Catherine L. Unger, a professional fund-raiser who works for Democratic candidates here. "The industry is so transient, people don't know if they might next week be looking to Lew Wasserman for a job."

Nor can you overlook the herd instinct. This is probably the only place in America where the people attending the fund-raisers are often more famous than the candidates. Fund-raisers here have become the newest stop on the social circuit, a place for celebrities to see and be seen and for agents to score points with the moguls who control their clients' careers.

Marilyn Bergman, the Academy Award-winning songwriter who organized the Streisand event for the Hollywood Women's Political Committee, puts it this way: "Whether people respond because our members are women they work with, or because we've been able to create an aura that this is the place to be—we've never questioned it. If it works, it works."

Industry executives are looking for candidates who will support their interests on a range of trade, tax and copyright matters that can wreak havoc with their balance sheets. That's why two Republican senators, Wilson of California and Orrin Hatch of Utah, have been among the leading recipients of entertainment industry PAC money over the past year—Wilson with $50,000 and Hatch with $17,100. Though their views on social issues are far from those of Hollywood's rank and file, the two have been helpful to the industry on the financial-interest-and-syndication rules, as well as on regulations governing television-station ownership.

"Friendship," corporate style, is another factor. Erwin D. Okun, vice president of communications at Disney, explains Eisner's support of Graham this way: "Bob Graham has been a good friend to Walt Disney World in Florida. And that is the root of it, more than anything he might do in the Senate."

Over at Lorimar-Telepictures, chairman Merv Adelson hosted two fund-raising events this fall in support of a California clean-water referendum. Adelson's support for the measure, which is championed by California assemblyman Tom Hayden, came from a genuine desire to help his community, said Barbara Brogliatti, L-T's senior vice president of communications. But then, there was one other factor. Hayden's wife, Jane Fonda, is starring in one of L-T's movies and two of its biggest videos.

Does what's happening here seem to betray a certain cynicism? Perhaps, but no more than you might find in any other industry. The big question is whether the contributions will have the desired effect. All that's certain is that Hollywood will soon be seeing a lot more candidates with their hands out. ●

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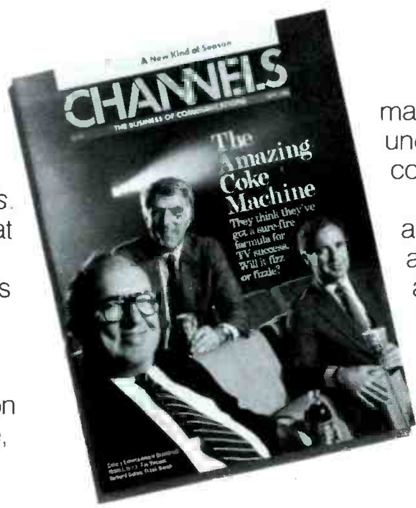

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CHANNELS
THE BUSINESS OF COMMUNICATIONS

Bochco's Law

'We're going to live and die by our words here, and tell good, compelling stories.'

Steven Bochco gained fame in 1981 as co-creator of a new kind of cop show, MTM Studios' Hill Street Blues. *His technique was to combine action/adventure with character drama in a program form that was part episode, part serial. This gave rise to a host of similarly structured hour-long dramas. Bochco left* Hill Street *amid some controversy last year, but reemerged this fall with what has been hyped as the new season's big hit,* L.A. Law. Channels' *West Coast editor, Patricia Bauer, caught up with Bochco in Los Angeles, where he shared his thoughts about his craft, the new program, why he left* Hill Street *and the changing television business. Here are excerpts from that conversation:*

WHY HE LEFT MTM

They fired me. It was personal, like a divorce, and I was sorry to go because I had friends there. It really wasn't the financial thing people talked about. There's no mystery about any of this stuff. Given what *Hill Street Blues* was, it was as responsibly produced as any show on television. It was seven years of wear and tear emotionally. They finally made a choice that whatever it was I contributed to them, it was no longer worth the price they were paying, whether it was an economic, personal or emotional price. I really wasn't angry about it. I've not watched *Hill Street* this year. It's just easier not to turn it on.

THE ECONOMICS

It's not the network's concern how much we spend to produce a show. All they should care about is what they have to pay for it, and then what they can charge advertisers. *Hill Street* evolved into a very expensive show, no doubt about it. On the other hand, it has not become, since I left, less expensive to make. And it won't be, unless it's dismantled or actors are replaced with other actors at starting-level salaries. Had I stayed I would have done some of that myself. I talked to them at length about changes before I left—moving certain characters, doing certain things to revitalize and freshen the show. I'm simply saying, we were all of a like mind going into a sixth year of *Hill Street*. Had I stayed, I would have made some hard economic decisions.

'L.A. LAW'

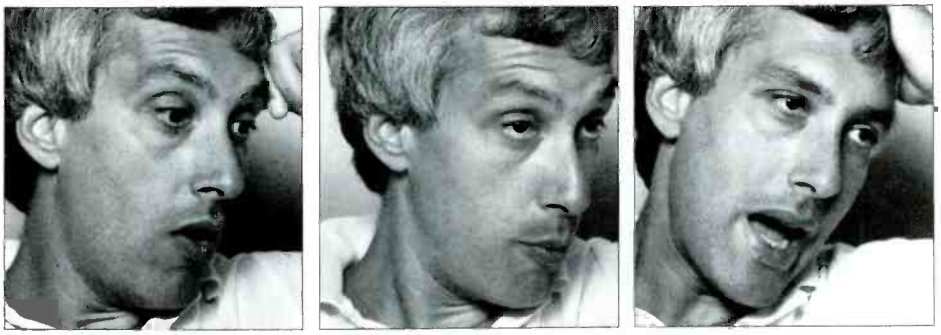
While this show is not life and death at every turn, people usually go to attorneys in some degree of agitation. They ask attorneys to represent their interests, or what they generally consider to be their wronged interests, and the process usually churns up really primal stuff.

Our view is that attorneys are hired guns. I don't mean that pejoratively, but literally. Lawyers are fascinating characters. They represent us in our most primitive concerns and needs. They try to civilize uncivilized instincts. Most of us don't experience the legal system in terms of being on trial for committing armed robbery, but we'll do those stories, too. We think we can tap some very deep emotional vein in our audience by doing a story about a tax audit, for instance. Everybody has an attitude about the IRS. If you find the right story to tell, you're going to generate some stuff.

There's very little action/adventure of a physical nature in this show. We're going to live and die by our words here, and tell good, compelling stories. Our characters are dimensional and rich in that sense. Hopefully, people will make a connection with what we're doing and tune us in so that we can survive.

CHANGES IN TELEVISION

I don't worry about the diversity of the markets taking viewers away from me. If my work is good and if there is an audience for it, that audience will find it. Television is my medium of choice because I have a relationship with an audience. I love the idea of communicating ideas to, and entertaining, a mass audience. And I love the idea of doing it with, hopefully, some grace and some style and some wit and some complexity. I'm a writer. Do I write to improve the world or get out a philosophical mindset? Enlighten Peoria? No. At least not consciously. I just love what I do, and I get a huge rush when I do it well. I've done so much work over the years that I've felt awful about. There



ROB LEWINE

'*Attorneys are hired guns. I don't mean that pejoratively but literally. Lawyers are fascinating characters. They represent us in our most primitive concerns and needs.*'

have been times in my life when I really despaired over my ability to ever get a handle on how to do this stuff well.

Everybody has frustrations, and so do I, but I endlessly marvel at what a wonderful life I have. I have great job satisfaction and creative satisfaction. I love to work. When I was younger I hated working, but now I can't get enough. It's always threatening to run away from me so I guess it's easy to be compulsive about it. The truth is, I am driven, but I think I still manage to retain and encourage and nurture other dimensions in my life.

BROADCAST STANDARDS

TV is maturing. Broadcast standards have held it back substantially from becoming a genuinely adult medium. They are censors and anytime you have censorship, you have limits on what you can do. Censorship limits horrendous excesses of violence too, but there's no way to legislate against stupidity or lack of talent. What broadcast standards usually wind up legislating against is freedom—freedom to write. I run into that every day of my life. You can't have nudity, even where it might be appropriate. If you're doing *Hill Street Blues*, can you imagine making 102 hours of the show and never uttering the word "shit"? Why can't I say that on television if it's right for a scene? If I was allowed to say it, I don't know that I would. But the question is, why shouldn't it be my choice?

HOW THE NETWORKS DIFFER

I've been working exclusively with NBC for the last seven years, so my impressions are not necessarily that current. I think the people at CBS are real professionals, but my general impression is CBS has tended to be stuffy. I don't watch a lot of television, so I don't monitor the product very much. But among the few shows that I try to seek out, none are on CBS. Most are on NBC.

My impression of ABC is that they're in transition. It's hard to know what they will become. In the past, they've been enormously meddlesome in the creative process, to the detriment of the product. Their broadcast standards department is by far the most reactionary and conservative. I love working with NBC and have done my most successful work with them. I would love to feel as creatively independent working at ABC and CBS.

CREATIVE CONTROL

I have sole creative control with *L.A. Law*. That's not to say that I don't invite input from anybody and everybody, including the network—I have absolutely no ego about where a good idea comes from.

I am under absolutely no instruction from the network people to adjust any of my material. They leave us alone to do our work. That doesn't mean they don't have a right to an opinion. I had a conversation with Michele Brustin [NBC vice president for drama development] the other day about the third hour of *L.A. Law*. She felt there were too many stories in it, and no satisfying closure on any of them. I said, "Hey, I disagree with you. But you're sure entitled to that opinion." In a case like that, I'll do exactly what I feel is appropriate to get the script into its shooting form.

THE FUTURE OF TELEVISION

Television is becoming more diverse in its outlets. The technology is so sophisticated and so accessible that it truly is blurring whatever differences there have been in the past between it and motion pictures. When people think about "going to the movies" they might be thinking about going down to the corner video store to rent *Back to the Future* or *Apocalypse Now* and watching it at home. When you can put a 45-inch screen in your den or living room—and when going to the movies for two or three people can cost 40 or 50 bucks between parking, tickets and baby-sitting—my gosh! Spend Friday night at home watching a movie and taping *L.A. Law*, or vice versa.

'MIAMI VICE'

I was an enormous fan of the show initially, particularly when Tony Yerkovich was still involved with it. He's a hugely gifted man. I think he created a fascinating, interesting environment, and good characters to people it. Along with Michael Mann and Thomas Carter, he visualized a world unlike anything anyone had seen on television. Once you've created the environment and the characters, the issue is simply how compelling and complex your stories are. That's the key to sustaining any show; that's what people require and look for.

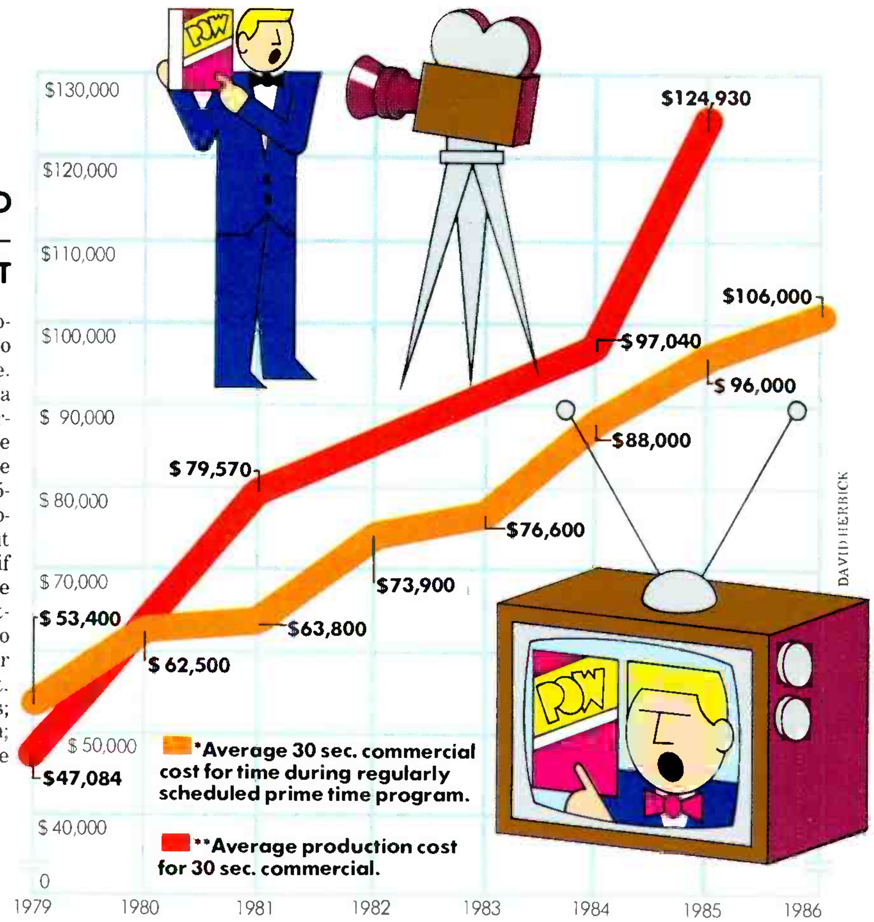
MOVIES VS. TELEVISION

I see increasingly less separation between the quality of films and television. Obviously we have less money to spend and less time in which to spend it, though I don't necessarily see those limits as having a whole hell of a lot to do with the quality of the product. We work harder in television and, in general, we are craftier. We are less indulgent. We simply find ways to do the job more efficiently. Don't get me wrong—I'd *love* a little more time and money. But I don't need it. Not to do what I do. I think that we are writing better material than 95 percent of what you see on the movie screens. ●

RUNNING THE NUMBERS

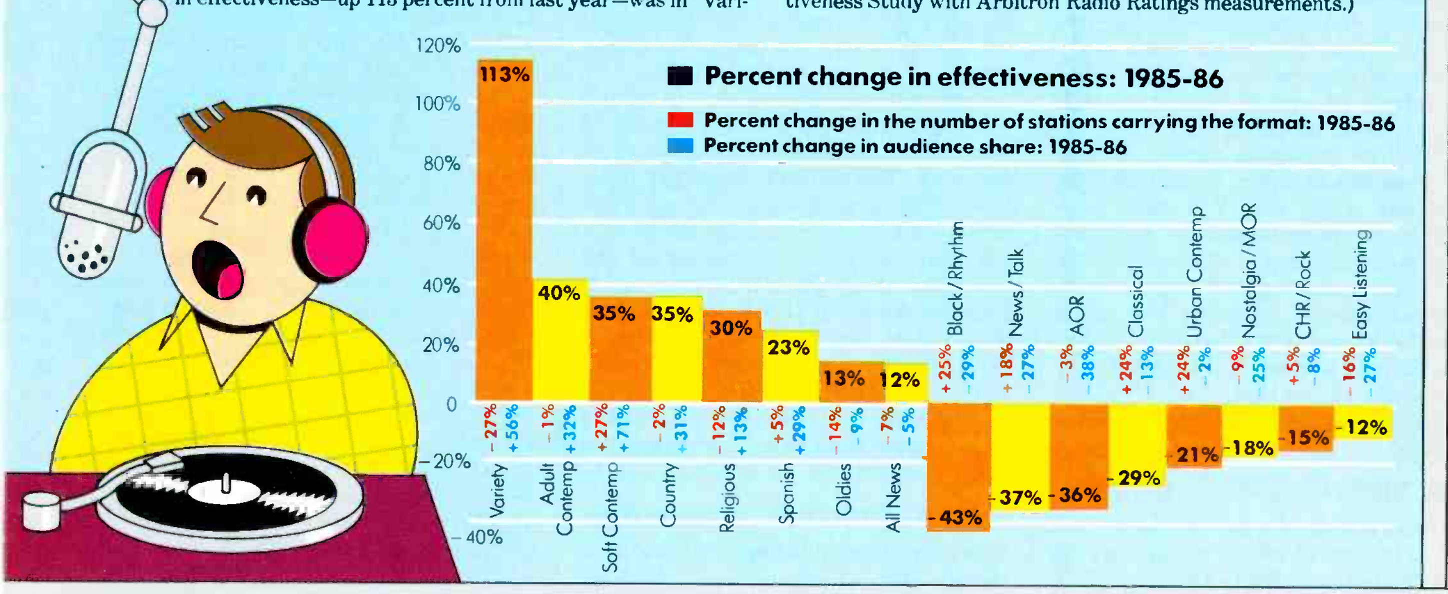
WHAT IT COSTS TO MAKE THAT AD—AND AIR IT

It used to be that a national advertiser could produce a 30-second commercial for less than it cost to air it on a network in prime time. Not anymore. Since 1980, the average production cost has risen a whopping 165 percent, while the average cost of airtime has grown 80 percent. Both increases have alarmed ad agencies. Network ad-time costs are expected to level off this year, and the advent of 15- and 20-second commercials may slow the rise in production costs since they tend to be simpler. But many advertisers face higher production bills if they continue to rely on complex and expensive techniques to grab viewers' attention in the cluttered television environment. The time needed to produce a spot last year increased 10 percent over 1984, while production house costs rose 36 percent. (Sources: Association of National Advertisers; Albert Stauderman of Bird Bonette Stauderman; A. C. Nielsen Co. A year's airtime costs include the previous November and December.)



FORMAT FERMENT

What's up and what's down today with radio's fickle listeners? A company called Radio Information Center has come up with a formula for measuring the national "effectiveness" of radio formats. Working from Arbitron Radio ratings in the top 100 markets, RIC factored the amount of listening into the number of stations airing a particular format during 1985 and 1986. The biggest increase in effectiveness—up 113 percent from last year—was in "variety" programming (a mixture of music, talk, sports and news). Even though fewer stations aired the format between this year and last, its audience increased 56 percent. Perhaps the most interesting shift occurred in the "news/talk" and "all news" formats. "News/talk" experienced the second-greatest drop in effectiveness, while "all news" gained. (Source: R.I.C. Format Effectiveness Study with Arbitron Radio Ratings measurements.)



ON THE MOVE.

KYW-TV's Eyewitness News won the RTNDA International Award for the "most outstanding enterprise and creativity in the continuing coverage of a major breaking story."

Here's what Mackie Morris, Chairman of the School of Journalism at the University of Missouri and head of the judging committee had to say about KYW-TV.

"KYW-TV's outstanding coverage of the month-long MOVE story began with inside information it obtained about a planned police siege of the MOVE headquarters. The coverage proceeded through the police assault and subsequent fire that burned the neighborhood.

Then, in the finest tradition of American journalism, KYW-TV continued its efforts in the weeks that followed with an array of enterprise stories examining the tragedy. KYW-TV served its viewers with extensive developments of the reasons why MOVE was born, why MOVE menaced the establishment, and why MOVE assault went out of control. In so serving its viewers, KYW-TV served the television news profession."

KYW-TV 3 GROUP W