th ANNUAL

1990 FIELD GUIDE

TO THE ELECTRONIC ENVIRONMENT

CHANNELS

DECEMBER THE BUSINESS OF COMMUNICATIONS 1989

THE NERVOUS '90s

Nine Rules for the Coming Decade

PLUS

- Worried About Washington
- The Cable Net-MSO Face-off
- Wall Street: Life After Junk
- How Long the Euro-TV Boom?
- The Big Three's Marketing Game

RADIO SCREEN

VARIETY

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STICKS HICK PIX

World's Worst

N.T.G. is doing a film short for Ben Schwartz' Master Arts with the world's worst amateurs in it.

All the broken-down Sir Josef Ginzbergs, John McCormack, Jrs., and other hopelesses are being assembled.

Runner Runner-Up

New York or elsewhere in one season.

Cry for 'Author' of Five Plays On B'way Will Get No Response

Top playwright on Broadway next season won't be there to see his own brain-children, the William Shakespeare cycle being due. No less than five of the Bard's classics will brave the Main Stem showshops for edification of earthy New Yorkers and waiting firemen.

With the exception of the Gilbert and Sullivan revivals, it is one of the rare times that five plays by one author or team will hit Broadway in one season, exceeding also

Runner-Up

Chicago, July 16.

Appears to radio execs here that Sears-Roebuck is after a record for the number of auditions for a future air program, a record which is now held by Schlitz.

While Schlitz is still far in the lead,


STAGE

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NIX

NOT INTERESTED IN FARM DRAMA

Mid-West Exhib Says 'Barretts,' Rothschild,' Pimpernel' Among Best Grossers in Silo Belt—Musicals Lame and Story Tops Star as a Draw

STARTING TIME IDEA

By GEORGE McCALL

Hollywood, July 16

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1990 FIELD GUIDE

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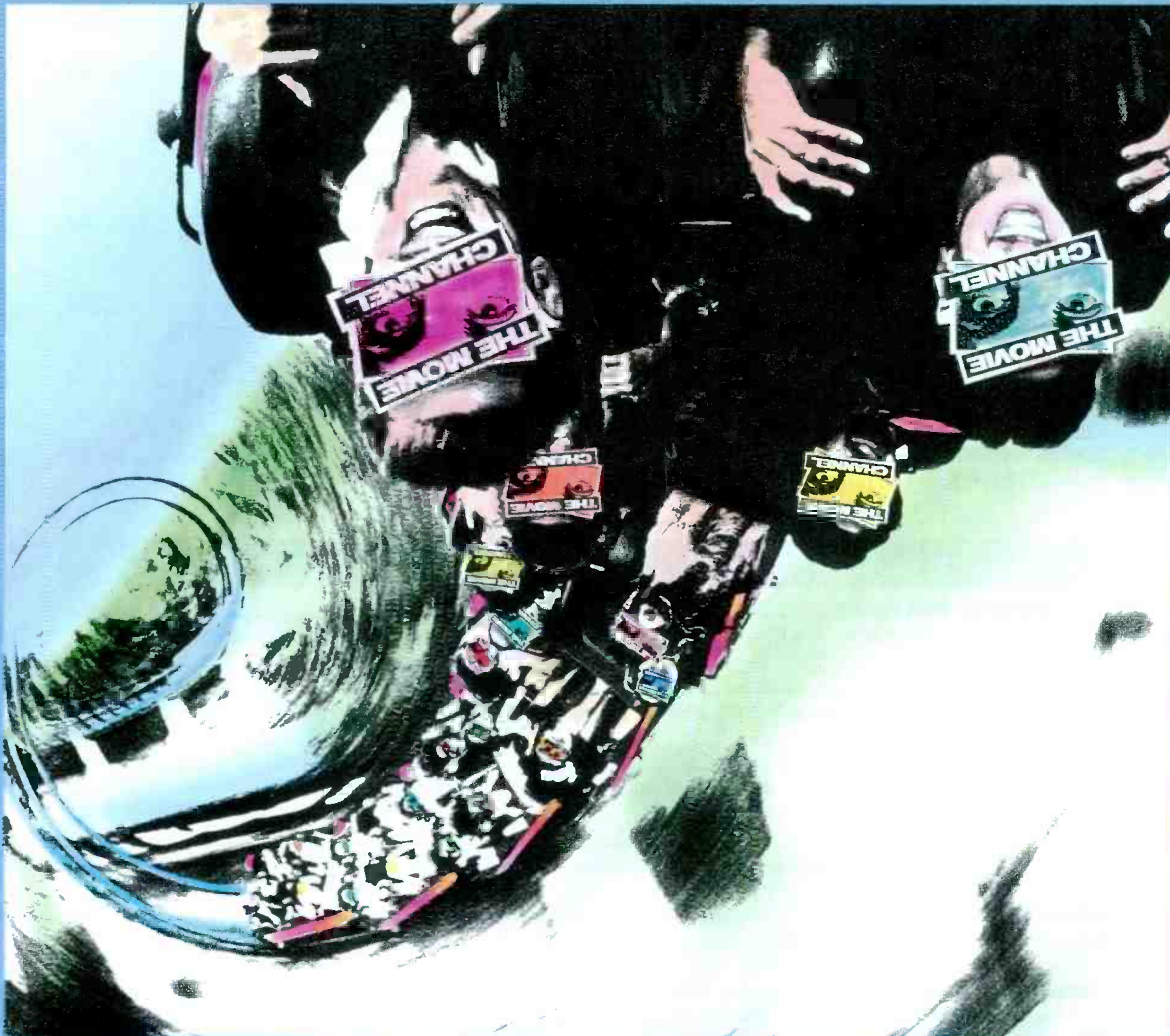

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FROM THE EDITOR-IN-CHIEF

The 1990 Field Guide

The 1990 *Field Guide, Channels*' eighth annual state of the business report, comes as the television industry enters a decade potentially more volatile than the one just ended. That's what makes producing the *Field Guide* such a challenge for the crew that puts out *Channels* every month. Imagine, for a moment, assembling a guide to a business that changes not year by year, but every week and every day. Whenever we think we have a handle on the story of the moment, things change. Australia's Qintex was going to buy MGM/UA; days later, Qintex's U.S. unit declared bankruptcy.

With this edition, we've dubbed the new decade the "Nervous '90s," assessed what it means and offered suggestions about how our readership of television professionals might react to what's ahead. It is, in some ways, a summary of what *Channels* hopes to do—convey what's behind the headlines, provide a little interpretation, a little guidance. If there's one useful tip here about how to cope with changes ahead, then we've accomplished something.

It's also timely to recognize key talents who made 1990's *Field Guide* happen. The editorial staff demonstrated both wisdom and fresh thinking in assembling about four times as many stories as we typically publish. Art Director Sue Ng brought new dynamism to a Field Guide design she created just a year ago. And Production Manager Rachel Cohen shepherded the project through a complex process with patience and diligence.

PHOTOGRAPH BY KEVIN GREGORY

The *Channels* editorial team: (from left) Rachel Cohen, Michael Burgi, Sue Ng (standing), Janet Stilson, Mark Schone, Merrill Brown, Neal Koch, John Flinn (standing), J. Max Robins, Jack Loftus, Peter Ainslie and Richard Katz.

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THE TONIGHT SHOW SEATS 500 GUESTS.
LATE NIGHT WITH DAVID LETTERMAN, 240.
THE ARSENIO HALL SHOW HAS ROOM FOR 290.

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EVEN KIDS.

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CAREER.
BUSINESS.
HOW-TO.
COLLEGE PREP.

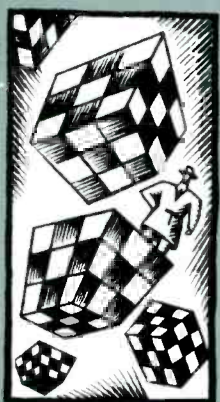
GIVE THEM WHAT THEY NEED.

The Learning Channel

OVERVIEW

Feeling Pressure In The Nervous Nineties

TV's major players leveraged their future to expand in the '80s. Now their philosophy will be put to the test.



The turning of a decade should spur an industry to dream about coming opportunities. As television enters the 1990s, however, there's more uncertainty than optimism. The "Perspectives" section offers a look at the overarching themes of the coming years—in Washington, on Wall Street, Main Street and Madison Avenue, in Hollywood and overseas—starting with "Overview," our essay on the legacies of the go-go '80s, and our cover-story survival guide, "9 Rules for the '90s."

The 1980s were loaded with high drama in television—the sale of the Big Three broadcast networks, the stunning development of the Cable News and Fox networks, the merger of Time and Warner and the emerging dominance of cable television. The incredible metamorphosis of the television industry was fed, in large measure, by the junk-bond machine that simultaneously revolutionized and traumatized all of American business.

But the "Nervous Nineties" promise something vastly different for the television industry. These will be the years when corporate America's aggressiveness comes back to haunt it. There's no mistaking the fact that American television was transformed during the '80s, and that leveraged financing did the trick. The industry's mega-entrepreneurs of the period—Rupert Murdoch, John Malone, Ted Turner and Steve Ross—were all beneficiaries of the "high yield" financing revolution, the results of which have spawned a new corporate America, a nervous one, as the 1990s open. What's left is a media and entertainment business at the same time both remarkably opportunistic and loaded with uneasiness and potential peril.

The uncertainty of the coming decade has many manifestations. Across corporate America, there's the nervousness of the over-extended, over-leveraged company, rebuilt, spun off or refinanced during the previous decade. The television industry is no exception. Further, within the television and entertainment business, the '90s will be a proving ground for the premises of the '80s. We'll see whether size is as vital for success in the new world of global media as its proponents believe. Nowhere will that credo get a better trial than at Time Warner, where a huge conglomerate—a giant in publishing, music, cable and film—must do everything it can to take advantage of its scale.

But the giants are not the only ones who should be nervous about the next decade. A host of smaller but no less vital businesses in television, including networks and stations, should be wary of what's ahead in the '90s.

With the continuing cable revolution and the growth of the independent station business in the '80s came an abundance of new programming outlets—a huge distribution scheme without a guaranteed set of audiences. It's fair to ask at this point whether 50 maturing national program services, over-the-air and on cable, will ever find the audiences necessary to finance their futures. Larry Tisch, General Electric and Capital Cities can only recall an era when owning a network was money in the bank. Meanwhile, the corner grocery store or gas station does a fire-sale business in classic movies and current blockbusters on videotape.

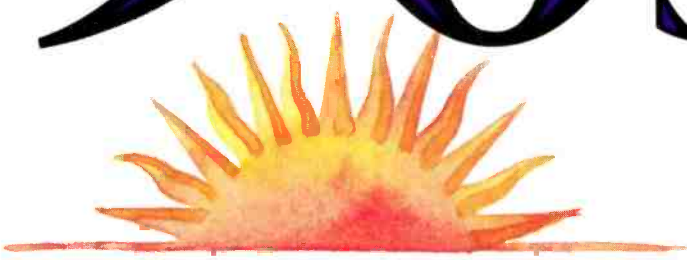
While networks try to carve out audience niches, program producers are looking to solve their own financial difficulties: the problems of costly U.S. production, a shrinking Big Three network audience and a crowded syndication business. Betting is heavy right now in the American TV industry that Europeans will open their markets to American product completely, and that the programming will actually succeed in a newly created and competitive European television business. Both presumptions are questionable.

Network and studio management don't have a monopoly on uncertainty, of course. For the foreseeable future, there can't be many harder jobs than programming and selling a local television station in a fiercely competitive market. Stations are caught in a classic trap, feeling pressure to hit home runs but required to do so one-handed. That's a paradox created by the financial squeeze on the junk-bond era's owners, who are desperate to grow or, at worst, retain profit margins, but also compelled to invest in programming and hardware.

The expansion/merger boom of the past decade, then, has set the television agenda for the decade to come. The legacy of Wall Street's go-go '80s, and of ten years of television expansionism, should be an uneasy '90s. If American television can play on the world stage, however, it's possible that much of that angst will fade. MERRILL BROWN

COVER STORY

9 rules for the '90s



After a decade in which some TV stations actually went bankrupt, the Big Three networks each changed hands, cable grew from infant to potentate and a Japanese company known for electronics wizardry bought a major Hollywood studio, the '90s can only be approached with nervous anticipation and a willingness to be surprised.

From the vantage point of 1979, few could have guessed the specifics of what was to take place, but the seeds of change were there for those who looked closely. As television enters the 1990s, Channels *editors set out to adapt lessons of the previous decade to the coming one.*

What follows are not predictions, but operating principles, guideposts and warning signals for television's diverse group of interests. They apply to the entire business—broadcast and cable, public and commercial TV, the financial and regulatory communities—an industry that now shares common goals and strategies.

The ideas behind "9 Rules for the '90s" were assembled by the Channels *editors. This story was written by Merrill Brown and John Flinn, with help from Jack Loftus.*

Beware the Penalties of Sports. The business of sports on television has always been highly visible, and a make-or-break ratings and advertising issue for stations and networks. Never before, however, has televised sports been as financially significant as it is today. Among some in the financial community and among cable's antagonists, the battle between networks, broadcasters and the cable industry over the migration of sports to cable has assumed epic proportions. One of cable's chief critics, Preston Padden, president of the Association of Independent Television Stations, thinks it's the issue of the '90s.

"I believe the sports issue has the potential to bring down the entire cable house of cards," Padden says. Padden, whose INTV, in tandem with the National Association of Broadcasters, is aggressively lobbying Congress to stem the migration of events, says it's one issue in the arcane world of TV's regulatory debates that Senate and House members understand. "When you show them that their regional college football games are winding up on pay-per-view for $25 a game, they instantly understand that this a populist political issue."

What's at stake? For one thing, broadcasters—with CBS at

ILLUSTRATIONS BY ROBBIN GOURLEY

the forefront—have been floating the proposal that cable operators lose the right to carry local network affiliate signals without paying a fee. That would give broadcasters the same dual revenue stream that makes cable networks so profitable. And, some station representatives believe, it would restore the broadcast-cable balance of power. It's improbable as a short-term political proposition, but it's just one idea on the table. Top executives at places such as ESPN say they're not particularly worried about sports rights as a political issue. Those views may change.

Beyond politics lie the risks of TV sports economics. After the fall ratings fiasco of a four-game World Series, skeptics are questioning the huge baseball deals signed by CBS and ESPN. The National Football League is waiting on the sidelines to begin talks for its new contracts, and there's the potential for it to have more players—like Fox and Time Warner—at the negotiating table than ever before.

Beware the big-bucks battle for TV sports rights. It could be bad business and a political mess.

If those rights talks get out of hand, and if the combined muscle of the INTV and NAB is fully deployed, look for sports to move quickly to the forefront of television industry issues. The suggestions: for cable operators, ease up on aggressive exclusive contracts; and to all TV executives, don't bet the company on big league sports.

Redesign the TV Schedule. There's nothing sacred about the television schedule anymore, and the '90s will see each and every premise about time periods called into question. The 1989-90 season is the beginning of that new era.

The trends of the future, as usual, are taking shape in California, where pushy affiliates, notably Sacramento's NBC outlet, KCRA, are junking the Saturday morning kids lineup in favor of original local programming, usually news.

KCRA's controversial move is just the latest programming shake-up, not the last. "I don't think anything is out of bounds," says Roger Colloff, vice president and general manager of New York's WCBS. "Every time period is up for grabs conceptually, and there will be few parts of the broadcast day that affiliates won't be willing to question." Says the g.m. of a large independent: "These days it's hard to hold an audience for an hour, let alone an evening. People are going to try crazy things." For both indies and affiliates, there's no choice in a fiercely competitive market but to break the norms. "With a younger generation of managers, stronger affiliates will be challenging networks more and more," says one g.m. "They don't know from loyalty."

The changes are everywhere. On the West Coast, some affiliates want an earlier prime time. KHJ Los Angeles, the Disney-owned indie, has decided to program a full evening of news. New York's WWOR is moving to a live local morning block. The Fox network is assembling youth-appeal program packages, and CBS is pushing an all-comedy evening.

To Dick Haynes, research vice president at Frank Magid Associates, the new order means, among other things, getting more from underdeveloped dayparts—late night and early morning being the fastest growing time periods. "This is being very carefully thought out," he says. "The ratings analysis is very sophisticated, and putting programs into particular dayparts is complicated because of everything we know about how specific people buy specific products. Programming will always be an art, but now it's more of a science."

Thus, the analysis must be more polished and the decisions more precise. In almost all cases, stations and networks that operate like they did in the '80s will be left behind. Rethinking the schedule improves the chances of success.

Program for the Multicultural Nation. Audiences are becoming more diverse: more black, more Hispanic, more Asian. Television programming must find a way to follow suit.

"Television in general has missed a tremendous opportunity to truly mirror the realities around us," says Jennifer Lawson, the recently named executive vice president, national programming and promotion services for PBS. "We are becoming a multicultural nation, and it's a story that television is not presenting. What's on television doesn't mirror what you or I see when we walk down the streets of any city or town in the country."

Local television has done a better job of reflecting the nation's changing makeup, with the most responsive stations taking pains to represent their community's ethnicity both in front of and behind the camera. It's not true that only Hispanics can create shows Hispanics want to see, but programmers outside of the Hispanic community are likely to overlook the budding trends and concerns of that group. "It's my belief that the more diverse the management team, assuming fairly equal talent, the more exciting the operation will be," says Joel Chaseman, outgoing chairman and CEO of Post-Newsweek Stations. "You'll simply get more varied input, more ideas from which to choose, a more explosive chemistry among the participants, and certainly [a product] more reflective of the community at large."

Tribune Entertainment manager of special projects Bob Cambridge, who specializes in marketing to black audiences, thinks the best of the next generation of syndicated shows will come up from the local level. "With a market like L.A., which is going to be 50 percent Hispanic in the year 2000, can we afford not to do programming for Hispanics on the local level?" he asks. "And can New Orleans or Washington afford not to do programming for blacks?" The biggest hurdle between a good local show and a nationally syndicated phenomenon, Cambridge argues, is a closed mind. "The programming doesn't have to be strictly local," he says. "It can go well beyond local if it's looked at as a syndicatable property."

Whether or not Paramount knew exactly what it had on its hands when it set out to sell a new talk show, it displayed the right attitude with *The Arsenio Hall Show*, a hit with young-adult audiences across the country. From the studio audience to the guests on Arsenio's couch, each night the show contains slices of many sides of American culture. Television did not necessarily need another talk show; witness the tough time CBS has had finding an audience for Pat Sajak at night. But *Arsenio* is filling a cultural gap that few other shows even try to understand.

If the success of *Arsenio* spawns a wave of hip black talk-show hosts, however, television will have missed the point. There are opportunities of many colors to be spotted. Says


*A.C. Nielsen Cable Activity Reports, Jan.–Feb. 1989, based on average total day ratings.
**A.C. Nielsen/HBO Meters, Jan.–Sept. 1989, based on average total day ratings.
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Chaseman: "For television not to be tuned in to this and recognize what's going on would be suicidal, and perhaps has been."

Know the ethnic makeup of the market: 'For TV not to be tuned in to this would be suicidal.'

Stations: Master Your Universe. At some time or other, every commercial TV station has wistfully talked about "controlling our own destiny." That's a euphemism for more in-house programming, fewer syndicated properties. Today, it doesn't take much of a wizard to figure out that the future of local television is in local television. Hurricane Hugo proved that in South Carolina, as did the San Francisco earthquake for Bay Area stations.

Yet stations continue to choke down escalating prices and barter demands by syndicators, especially for choice first-run and off-network half hours. Then there's the indignity of being forced to swallow less desirable programming—or early renewal on an existing show—in exchange for a hot strip. It's called "packaging." It's also illegal. But tell that to a station just dying for that one hit to put it over the top in access.

The broadcasting landscape is littered with stations that overpaid for syndicated programming, only to go belly up when the bills came due. Other stations charged recklessly into expanding local news blocks only to fall victim to fickle audiences.

Then there are the innovators, stations that research the market they serve and program accordingly. KCNC in Denver has practically written the book on local programming, not just covering high school sports but preempting prime time for championship games. "Our game plan was, and still is, to stay out of the high-cost syndication business, with all its audience fractionalization, and concentrate on local news, local productions and local sports," says KCNC general sales manager Rick Wardell. In D.C., CBS affiliate WUSA was out in the cold after King World yanked both *Wheel of Fortune* and *Oprah Winfrey* off the station. The *Oprah* loss left WUSA without a lead-in to its top-rated 5 to 6:30 P.M. local news block. In a gutsy move, WUSA launched a 4 to 5 P.M. newscast—news leading into news—but not before the Gannett-owned station did its homework by sampling the community. The result: The audience embraced the broadcast.

Surviving, much less prospering, is no sure thing, but stations that work more for themselves and less for national syndicators will be the innovators of the '90s.

Think TV Sets, Not TV Homes. Technological and consumer lifestyles have changed radically in the last two decades, yet the way viewing audiences are measured and sold has stayed basically the same. Ratings must change. Talk of "viewing households" and the "18-to-49 demographic" is as low-tech as the pencil-and-paper diary still used to record viewing in most local markets.

"We are moving away from the measurement of a *household* to the measurement of individual viewing," says Alan Wurtzel, ABC's senior vice president, marketing and research services. "That is much more reflective of how people watch TV these days."

Millions of viewers—and dollars—hang in the balance. A 1989 study of out-of-home daytime TV viewing, sponsored by ABC and CBS, found that some 2.6 million women watched daytime programs at work, and another 3.1 million students watched on college campuses (including 1.1 million men). Nielsen doesn't record such viewing, or any viewing not done in a primary residence. "Whenever you say 'out-of-home,' people say, 'Okay, people in bars during *Monday Night Football*.' And sure, we've demonstrated that's a significant audience," Wurtzel says. "But it transcends that. There are millions of battery-operated TVs in the country. Business executives in hotels on the road, about 70 percent of them wind up watching TV in their room—and watching a lot of *Good Morning America* and *Nightline*, which because of their relatively small audience bases would definitely benefit from the additional viewers."

The responsibility for change, however, doesn't lie entirely with the rating services. Although cable penetration has climbed to 56 percent, cable has kept its ratings down by typically wiring only one set in each home. A study by MTV Networks found that only 42 percent of the homes in the cable universe have two or more cable hook-ups, yet in those homes ratings for cable networks increase by as much as 120 percent.

Assigning these additional eyeballs to the right demographic will become more important to advertisers in the '90s. The standard 18-to-49 measure, says Wurtzel, "is an awfully broad category, and it's really a historical tradition. Years ago it was harder to more accurately break down demographics. Now, with people-meter data and computers, advertisers should be able to buy much more targeted audiences, and that can and will be done."

Build Broadcast/Cable Alliances. From Little Rock to Long Island, from New Orleans to New Bedford, television stations, cable operators and networks are learning that they've got to live together. Broadcast/cable cooperation is essential for success in the coming decade.

It's not easy to put that in perspective while some industry leaders and Washington politicos are screaming about the launch of Time Warner's WGRC, about must-carry and channel-positioning problems or about sports and film packages moving to cable outlets. But beneath the clamor, some progressive broadcasters and sensible cable operators are building bridges that play to the strengths of each.

Whether that means joint cable/broadcast marketing programs like the 1988 marketing push undertaken by Little Rock's KLRT and Storer Cable there, or the cable/broadcast news operations being run by broadcasters and cable people in New Orleans and Minneapolis, television professionals in many markets are creating mutually beneficial relationships. NBC in its venture with Cablevision wants to create local cable news outlets for as many network O&Os and affiliates as possible.

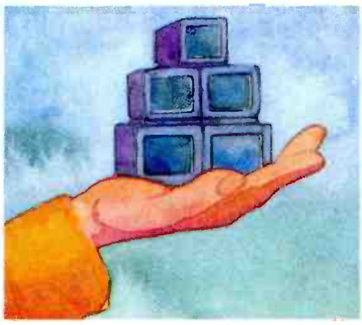
It's a partnership that makes sense: for broadcasters, who want cable carriage and need new outlets to show their stuff; and for cable operators, who want to move quickly to offer their subscribers (and non-subscribers) a locally driven reason to mail in a check every month. The war of the words might have value in the halls of Congress, but it's of little value to

the TV station unsure about its future in a world shaped by the local cable operator.

Public Television: Change or Die. Public TV has let cable and the VCR walk away unchallenged with its audience. With prime-time ratings down 30 percent since the '84-85 season and member donations leveling off, public television must convince the audience anew that it is a vital, compelling part of the TV landscape.

"The era of assumed virtue is over," warns Bill McCarter, president of WTTW Chicago. "Public television will have to focus its assets into known areas where it can compete and excel. It cannot be all things to all people."

Choosing the right areas on which to focus, however, will mean going beyond the obvious successes of PBS's recent past. "I find us more and more doing the tried and true," laments Paul Norton, executive director of Wisconsin Public Broadcasting and chair of the National Organization of State Broadcast Executives. "We've created an audience for the tried and true, and now many of the cable companies are starting to move in on that market." At that point, Norton believes, PTV should move on. "Once programs become commercially viable, they ought to be provided commercially," he says. "We have to go out and take the risks to introduce new concepts in programming."



Find, count and wire viewers wherever they may be—in bars, college dorms, hotels.

No matter how good and fresh the new programming, however, it will be a weak remedy for PBS's ills unless it's promoted effectively to a wide audience. "Most people know us by our 15 to 20 hours a week of prime time, but we have another 120 hours of programming a week that people don't know about," says David Brugger, president of the National Association of Public TV Stations. "We have it in the schools, where everybody's now talking about education, and we've been doing it for years, but it doesn't get promoted. The assumption has been people who need it will find it and use it."

Yet some public broadcasters are convinced that their brightest future lies with local programming. "There isn't going to be a national cable network that can come in and do Wisconsin sports, Wisconsin business news, Wisconsin arts and cultural events," says Wisconsin Public Broadcasting's Norton. "So more and more of my resources are going into that kind of programming." There's room for both national and local programming, of course; finding the right mix is simply one more challenge for public television in the '90s.

Ignore Boycott Threats—Program With Your Gut. In 1989, special interest groups made a grab for power over the TV schedule and seemed to strike fear in the hearts of many network executives. It's time for network and local programmers to rethink their mandate, and make sure that television continues to cover tough, sometimes controversial subjects in a fair, responsible way.

The outcry began in earnest in March, when *The New York Times* ran a page one story about Terry Rakolta. The *Times* characterized Rakolta as an "angry Michigan mother" who, through a one-woman letter-writing campaign, had persuaded several major national advertisers not to buy commercial time on Fox's *Married . . . With Children*.

Most TV executives agreed that the initial influence of Rakolta had been overstated, but the combination of her letter-writing and the subsequent media attention rekindled a soul-searching over the relationship between television and its advertisers. In late April, ABC pulled the special *Crimes of Passion II* from its schedule just days before the air-date. The show had received no advertiser support. At the same time, the network shelved plans to air another show, *Scandals II*, the next month. NBC had troubles of its own, as advertisers began to withdraw from its *Roe vs. Wade*, a dramatization of the Supreme Court's landmark abortion decision.

Consumer groups such as Terry Rakolta's Americans for Responsible Television and the Reverend Donald Wildmon's American Family Association threaten to boycott the products of companies that advertise on programs considered objectionable, and that's made advertisers cautious. There's no indication, however, that such boycotts work, and public-opinion surveys reveal at worst divided consumer attitudes toward boycotts.

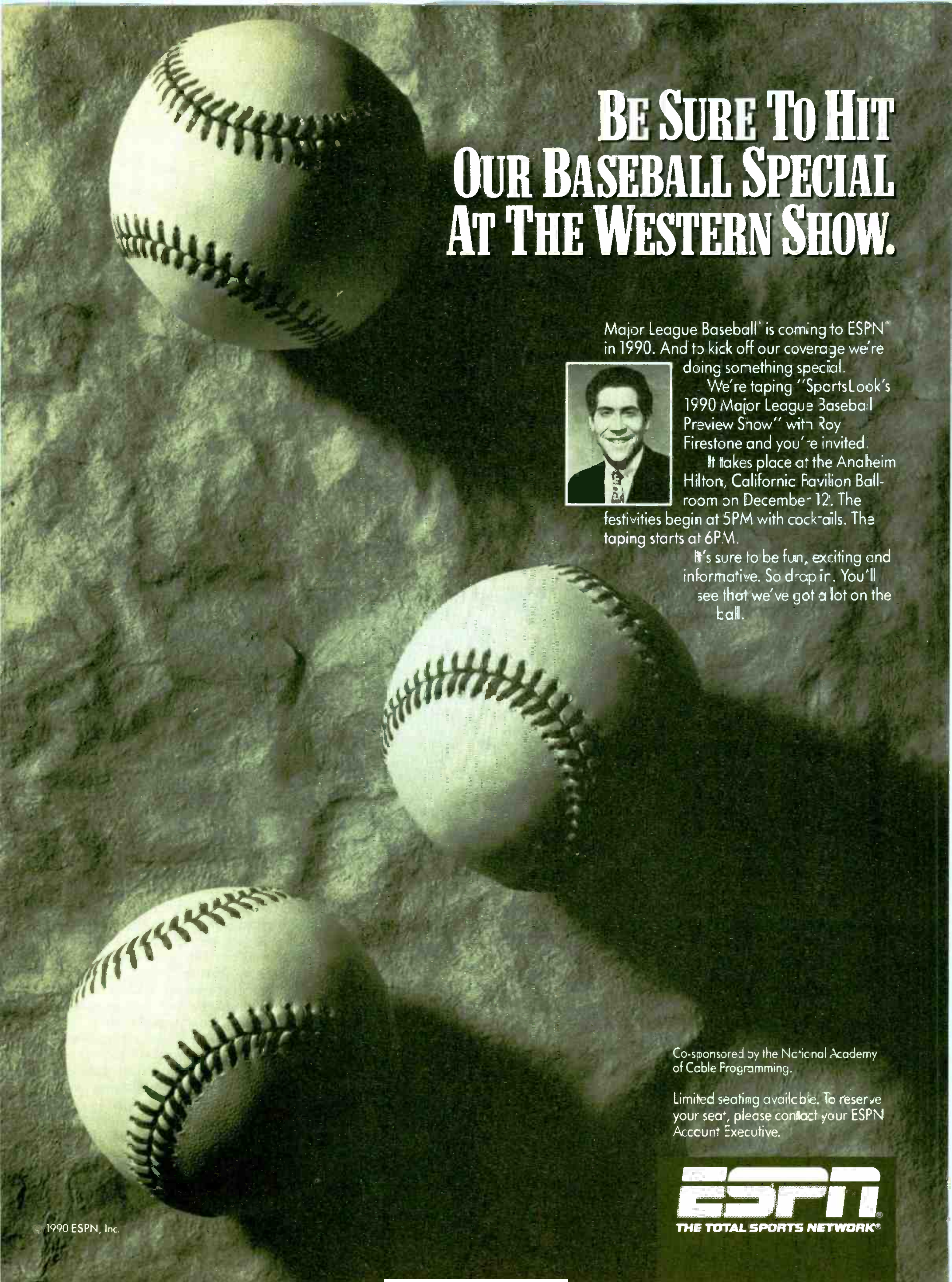
With the FCC taking an aggressive and public stand against so-called indecent programming, it's more important than ever for television executives to make a careful sounding of community standards, then program accordingly. Special-interest groups are welcome to contribute to the dialogue, but they should never be the ones to set the agenda. It's bad politics—and bad business.

Innovate, Don't Just Consolidate. The coming decade will test whether the giant mergers of the '80s actually make sense. Undoubtedly, most executives will judge Sony-Columbia, Time-Warner, GE-NBC and other mega-deals by profits and stock price. But the quarterly reports will reflect the challenge confronting every media giant: management must build a creative environment that encourages new ventures, start-ups and innovation.

After all, many of the media breakthroughs of the '70s and '80s came not from America's old-line corporate giants but from entrepreneurs. Ted Turner, John Malone, the King brothers, Bob Pittman and his MTV team and John Hendricks' Discovery Channel are just a few examples. Rupert Murdoch's Fox network and Al Neuharth's *USA Today* newspaper show that an entrepreneurial spirit can succeed even within very large companies.

Chris Whittle, a classic '80s entrepreneur now operating within the Time Warner family, sees his company as a "gathering of entrepreneurs." In an interview with *Inc.*, he explained that Whittle Communications' success "is directly related to our ability to attract and keep" such talent. That test is the imperative of the '90s for big media companies—setting up smaller units that can create new products and take risks. Time Warner is trying to do it with Whittle, GE is trying to do it with CNBC, and TCI is trying to do it through the many program services its resources have spawned.

The challenge is twofold. One, industry giants must create business units that encourage innovation. Second, they must know it when they see it. Molding that environment is their charter. Should they fail, a new generation of Turners will inherit their mandate. ●


BE SURE TO HIT
OUR BASEBALL SPECIAL
AT THE WESTERN SHOW.
Major League Baseball® is coming to ESPN® in 1990. And to kick off our coverage we're doing something special.
We're taping "SportsLook's 1990 Major League Baseball Preview Show" with Roy Firestone and you're invited.
It takes place at the Anaheim Hilton, California Pavilion Ballroom on December 12. The festivities begin at 5PM with cocktails. The taping starts at 6PM.
It's sure to be fun, exciting and informative. So drop in. You'll see that we've got a lot on the ball.
Co-sponsored by the National Academy of Cable Programming.
Limited seating available. To reserve your seat, please contact your ESPN Account Executive.
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THE PRODUCTION SCENE

Partnering For The Future

Changes in the balance of power find studios getting new owners, new investors, new talent and new headaches.

In the midst of a new age in Hollywood, one in which the balance of power is shifting not only in the network-studio relationship but within the studios themselves, there's an ongoing debate that can be reduced to a single question: How big is big enough? Increasingly, as global markets for programming open up, many industry executives believe that only a few worldwide entertainment conglomerates will thrive. As these executives see it, vertical and horizontal integration of the means of production and distribution are needed to build leverage and realize synergies. "Every sign," says Ken Kaufman, president and COO of independent Patchett-Kaufman Entertainment, "is that you need to have a multilayered, multinational company to really win in this business."

Foreign companies and investors are key players in Hollywood's restructuring, at least partly because the American dollar remains cheap compared to some currencies. Moreover, foreign investors have new reasons for wanting access to Hollywood's libraries of films and TV shows. First, other, primarily European countries have in the last few years expanded their distribution outlets by adding new TV channels and services. Second, the success of the VCR has given new life to old product. In fact, entertainment programming remains one of America's top net export earners. Foreign investors want to buy not only the existing libraries, but the American know-how to produce and market still more product. "Unlike semiconductors, cars and steel," says David Salzman, president of Lorimar Television, "this is a uniquely American business."

At the same time, another restructuring is occurring behind the scenes in Hollywood as studios are forced to reconfigure relationships with the actual creators of their product. As the power of the most successful writer-producers grows—fed by network executives, who prefer to make series commitments with the writer-producers of proven hits directly, rather than with the studios—they are successfully demanding larger ownership interests in the shows they make. If the studios want to land shows on network television, they have to pay for the talent that can deliver those time slots. Disney, for example, has budgeted more than $100 million to attract such talent over the next few years. "That's the major issue that's facing us this coming year," says Harris Kattleman, president and CEO of Twentieth Century Fox TV Production. "The bidding wars have become ferocious. It's like a feeding frenzy."

New outlets abroad help make Columbia's *Who's the Boss?* even more valuable.

Concurrently, independent producers are getting squeezed. On one side, most indies are frustrated by the money required to enter the writer-producer bidding contests. On the other, they face the dramatic rise of network in-house production, reducing their opportunities in prime time (a fact of life that affects studios big and small). ABC intends to make in-house production a major profit center, says former programming chief Brandon Stoddard, who heads the new division. CBS and NBC have also geared up.

In response, independent producers may start entering into joint ventures with the networks as the federal restrictions on network ownership of programming ease. "If you're going to be a player," says Stephen J. Cannell, Hollywood's largest independent television producer, "you're going to have to be quick on your feet and move with changing markets."

Cannell was one of the first producers to move production out of the country in an effort to control costs. Other producers quickly followed suit, but now "runaway" production is topping out: strong demand tightened the supply of film crews in Canada, the biggest runaway venue. The boom in production bid up wages and eliminated much of the price advantage of shooting in Canada. In fact, the major advantage that remains in Canada is the currency exchange rate, floating around Canadian $1.19 per U.S. $1 late in '89. "It clearly appears to be getting more favorable in California," says Dan Slusser, senior vice president and general manager of Universal Studios' facilities in California and Florida.

With new players and new rules, as Fox Inc. chairman and CEO Barry Diller says, "In five to ten years, I don't think Hollywood will look like what it has looked like for the last twenty years."

NEAL KOCH

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Securities. The offer is made only by the Prospectus.

$350,000,000

Continental Cablevision, Inc.

12⅞% Senior Subordinated Debentures Due November 1, 2004

Interest payable May 1 and November 1

Price 100% and Accrued Interest

Copies of the Prospectus may be obtained in any State from only such of the undersigned as may legally offer these Securities in compliance with the securities laws of such State.

MORGAN STANLEY & CO.
Incorporated

LAZARD FRERES & CO.

November 1, 1989

The Program Factories

Producers	For Network Television	For First-Run Syndication and Cable
WALT DISNEY 814 HOURS TOTAL		
Walt Disney Television 83 HOURS TOTAL	**83 hours** / The Magical World of Disney, Gummi Bears and Winnie the Pooh Hour	
Touchstone Television 32.5 HOURS TOTAL	**32.5 hours** / Golden Girls, The Nutt House, Empty Nest	
Buena Vista Television 698.5 HOURS TOTAL		**679 hours in synd.** / Duck Tales, Chip 'n' Dale's Rescue Rangers, Live with Regis and Kathie Lee, Win, Lose or Draw, Siskel and Ebert; **19.5 hours on cable** / Teen Win, Lose or Draw
WARNER BROTHERS 673 HOURS TOTAL		
Warner Brothers Television 97 HOURS TOTAL	**97 hours** / China Beach, Growing Pains, Head of the Class, Just the Ten of Us, Life Goes On, Murphy Brown, Night Court, The Plot to Kill Hitler (movie), China Nights (movie), The Company (movie)	
Warner Brothers Domestic Television Distribution 390 HOURS TOTAL		**390 hours in synd.** / College Mad House, Fun House, Freddy's Nightmares, Love Connection, Mama's Family, The People's Court, Third Degree, Thundercats
Lorimar Television 186 HOURS TOTAL	**186 hours** / Family Matters, Full House, Perfect Strangers, Dallas, Falcon Crest, Island Son, Knots Landing, Paradise, The People Next Door, The Hogan Family, Midnight Caller, Common Ground (long form), An Eight is Enough Wedding (movie)	
PARAMOUNT TELEVISION GROUP 636.5 HOURS TOTAL	**80 hours** / MacGyver, Dear John, Cheers, Mission: Impossible, Open House, The Odd Couple (movie), Brady Bunch movies, The Elite (movie)	**556.5 hours in synd.** / The Arsenio Hall Show, Arsenio Hall: Weekend Jam, Entertainment Tonight, Entertainment This Week, Hard Copy, Star Trek: The Next Generation, Not a Penny More, Not a Penny Less (movie), War of the Worlds, Friday the 13th: the Series
COLUMBIA PICTURES ENTERTAINMENT 427.5 HOURS TOTAL		
Columbia Pictures Television 102.5 HOURS TOTAL	**102.5 hours** / A Peaceable Kingdom, Married . . . With Children, Who's the Boss?, The Famous Teddy Z, 227, Designing Women, Living Dolls, My Two Dads, Hardball, Free Spirit, Murder in Paradise (movie)	
Merv Griffin Enterprises 325 HOURS TOTAL	**130 hours** / Wheel of Fortune	**195 hours in synd.** / Wheel of Fortune, Jeopardy!
VIACOM INTERNATIONAL 357 HOURS TOTAL		
Viacom Productions 82 HOURS TOTAL	**82 hours** / Matlock, Jake and the Fat Man, Snoops, Perry Mason movies, Father Dowling Mysteries, The Operation (movie)	
Viacom Enterprises 275 HOURS TOTAL		**275 hours in synd.** / Trial By Jury, This Morning's Business, Superboy, Super Mario Bros. Super Show, Remote Control
FOX INC. 351.5 HOURS TOTAL		
Fox Television Stations 275 HOURS TOTAL	**145 hours** / The Reporters, Cops, America's Most Wanted, Comic Strip Live	**130 hours in synd.** / A Current Affair
Twentieth Television Corp. 76.5 HOURS TOTAL	**76.5 hours** / Alien Nation, L.A. Law, Anything But Love, Sister Kate, Mr. Belvedere, Doogie Howser, M.D., The Tracey Ullman Show, Daughter of the Streets (movie)	
NEW WORLD 305.5 HOURS TOTAL		
New World Television 292 HOURS TOTAL	**292 hours** / The Wonder Years, Tour of Duty, Santa Barbara	
Marvel Productions 13.5 HOURS TOTAL	**13.5 hours** / Muppet Babies, Rude Dog and the Dweebs, Monster Bed	
MCA INC. 259.5 HOURS TOTAL		
Universal Television 88.5 HOURS TOTAL	**88.5 hours** / Major Dad, Murder, She Wrote, Quantum Leap, Columbo, Kojak, B.L. Stryker, Christine Cromwell (last 4: ABC Saturday Mystery Wheel)	
MCA Television Entertainment 171 HOURS TOTAL		**171 hours** / Lassie, Charles in Charge, Munsters Today, Out of This World, My Secret Identity, Inside Report, Dragnet, Adam 12
GTG ENTERTAINMENT 196 HOURS TOTAL	**14 hours** / Baywatch	**182 hours in synd.** / USA Today on TV
GROUP W PRODUCTIONS 174.5 HOURS TOTAL		**44.5 hours in synd.** / Missing / Reward, Teenage Mutant Ninja Turtles; **130 hours on cable** / This Evening
ORION TELEVISION 119.5 HOURS TOTAL	**22 hours** / Equal Justice, The Kennedys of Massachusetts, No Place Like Home	**97.5 hours in synd.** / Crimewatch Tonight
QINTEX ENTERTAINMENT[1] 119 HOURS TOTAL	**2 hours** / The Roxanne Pulitzer Story (movie)	**117 hours in synd.** / New Leave It to Beaver, RollerGames, The Time is Now
STEPHEN J. CANNELL PRODUCTIONS 95 HOURS TOTAL	**95 hours** / Booker, Hunter, Top of the Hill, 21 Jump Street, Wiseguy, I Love You Perfect (movie)	
GREAT AMERICAN BROADCASTING CO. 84.5 HOURS TOTAL		
Hanna-Barbera 42.5 HOURS TOTAL	**10 hours** / A Pup Named Scooby Doo, The Smurfs	**32.5 hours in synd.** / Funtastic World of Hanna-Barbera
Spelling Entertainment 2 HOURS TOTAL	**2 hours** / Rich Men, Single Women (movie)	
Ruby-Spears Enterprises 40 HOURS TOTAL	**7.5 hours** / Dink, the Little Dinosaur	**32.5 hours in synd.** / Police Academy: the Series

Compiled by *Channels*. [1]At press time, Qintex Entertainment had filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Hour figures represent total production for fall 1989 to fall 1990.

These Securities were offered and sold outside the United States.
This announcement appears as a matter of record only.

U.S. $100,000,000

Continental Cablevision, Inc.

Senior Subordinated Floating Rate Debentures Due November 1, 2004

Interest paid initially on May 8, 1990 and thereafter quarterly in arrears.

Price 100%

MORGAN STANLEY INTERNATIONAL

LAZARD FRERES & CO.

November 8, 1989

THE ADVERTISING SCENE

A Surprisingly Good Year for the Masses

Led by a surge in automobile advertising, broadcast TV is selling well—and it's pulling cable along with it.

The champagne corks were popping last summer in the wake of network television's apparently robust upfront market, but the Big Three weren't the only ones toasting the record take. The unexpected surge of first-chance buying for the 1989-90 prime-time schedule prompted even doomsayers in cable and at agencies to admit that predictions of mass advertising's demise may have been considerably premature. Doubts about network television's long-term health linger, however, in the face of continued prime-time audience erosion and the splintering of the mass market into less expensive, albeit smaller, advertising vehicles.

Cable's steadily increasing share of what used to be network ad dollars is only part of the story. These days advertisements can be found in places as improbable as board games, high school classrooms and on video screens mounted on grocery-store shopping carts. In fragmenting the ad-expenditure pie, these kinds of new ad vehicles have put a crimp in the growth rate of traditional media (such as broadcast TV). Despite a tripling of total media ad expenditures in the United States between 1978 and 1988, the rate of annual ad growth slowed from 15.8 percent in 1984 to 7.7 percent in 1988, according to ad agency McCann-Erickson Worldwide.

With 1990 presumably a harbinger of advertising performance in the new decade, the question is whether the factors behind the surge in network upfront revenues can sustain a more widespread broadcast recovery. Initial signs are positive. Even as the networks built 10 to 15 percent increases into the price of the choicest 1989-90 commercial time, the largest advertisers dumped a record $3.7 billion into network upfront commitments (including Fox), a 12 percent increase from last year. Car manufacturers clearly led the charge, with new high-end entries from Toyota Motor Sales USA (Lexus) and Nissan Motor Corp. (Infiniti); General Motors Corp. alone spent roughly $500 million in upfront. Inventories of new cars are at capacity, so some observers expect the automakers to maintain their ad spending levels through 1991.

"The auto industry in particular has just exploded with money, but the increase really was widespread," says Jon Mandel, vice president and director of national broadcast at Grey Advertising. "There is a general recognition by advertisers that the television medium is the most cost-efficient way to reach consumers."

The lavish outlays cut across the board, with 175 advertisers submitting budgets for prime-time upfront, compared with 135 last year. Interest is up despite the eroding network audience, which was expected to slip two more percentage points in 1989 to 66 percent of total prime-time viewing. The network share in second quarter '89 was 60 percent, 59 percent in the traditionally weak third quarter, according to the Television Bureau of Advertising. Investment bankers Veronis, Suhler & Associates project the network share will fall to 65 percent in 1990 before leveling off at 63 percent in 1992. "Network TV used to be seven-feet tall," says Tom Leahy, president of the CBS marketing division. "Now it is six-feet-four-inches, but it's still the tallest kid in the class. And whenever they pick for the basketball team it's the first kid to get picked."

Widespread ripples from the tightening of inventory following the strong upfront season were quickly felt. Sales of scatter-bought commercials were robust going into 1990, despite the steep, higher-than-upfront price of this leftover network airtime.

Local broadcasters shared in the good news. After two dismal years, spot sales finally improved in the second half of 1989. Peter Goulazian, president of rep firm Katz Television Group, says 1989 "was a heckuva lot better than we ever hoped it would be." Many advertisers that were shut out of network upfront apparently settled for major spot market buys, spurring a projected 6 percent rise in spot sales volume for 1990—nothing to brag about but a 50 percent improvement over each of the two preceding years. Also tightening up inventory is the $150 million to $200 million that congressional, state and local candidates are expected to pour into local advertising during the 1990 political year.

The Fox Broadcasting Company, clearly emerging as a fourth network contender, projects another stellar performance in 1990 after roughly tripling its upfront volume in 1989 to $325 million. Adding Monday as a third night of programming has helped, as will the planned introduction in fall 1990 of a half-hour, Monday through Friday kids' block.

Another sales beneficiary, cable television, recorded a doubling in upfront sales volume to $400 million in '89, even as cost-per-thousand prices for its commercial time were raised by up to 12 percent to reflect the tightening of ad availabilities. Declares Bob Alter, president of the Cabletelevision Advertising Bureau, "When the tide rises, everyone's boat goes up."

While a raft of factors have combined to create television's good fortune, the broadcast networks are particularly crediting their efforts to hype the value of mass media as an aid to advertisers' overall marketing plans. Advertisers are finally coming back to the fold, they claim, because the networks are no longer merely selling ratings points. "[Automobile advertising] created a situation that was very real, but it didn't explain the entire thing—it explained maybe 40 to 50 percent of it," CBS's Leahy says.

All three networks launched promo-

CRITICS LOVE IT!

"The acting and production values are first-rate."
—Ray Richmond, LA Herald Examiner

"A good viewing bet."
—Kay Gardella, The NY Daily News (on "The Saint")

"...The kind of original programming that cable channels have used to cut the network audience share to current All-Time low..." *—Paul Lomartire, Palm Beach Post*

"Quite well written and engagingly acted."
—Henry Sheehan, Hollywood Reporter

"Quality stuff."
—John Vorhees, Seattle Times

"Ian McShane gives a consistently good performance. He's a fine catch for the Dick Francis stories."
—Kay Gardella, NY Daily News

"Dick Francis crafts solid, inviting mysteries written in a clean, engaging style. The Blood Sport movie is in the same vein."
—Daniel Ruth, Chicago Sun Times

STATIONS & ADVERTISERS SUPPORT IT!

"Mystery Wheel is syndication as it should be, with quality produced, captivating, first run programs."
Michael A. Browner, General Director, Media Operations
General Motors Corporation

"We think that the Mystery Wheel Of Adventure represents the highest quality, first run programming that you can see on television today."
Michael Alexander
Executive Vice President & General Manager, WWOR-TV

"There is major appeal to adult viewers with these quality mystery dramas—and I think they are GREAT!"
Vicky Gregorian, Program Manager, WSVN-TV, Miami, FL

"These movies are an excellent alternative to network programming. It enables us to present first-run quality movies to our viewers."
Doug Johnson, General Manager, WXON-TV, Detroit, MI

"Having first run, quality primetime programming falls right in with our programming philosophy."
Penny Haft, Vice President/General Manager
WTTO-TV, Birmingham, AL

THE NUMBERS PROVE IT!

*MYSTERY WHEEL TOPPED THE OCTOBER '89 PRIME MOVIE AVERAGES IN...

New York/WWOR + 11%
Detroit/WXON +32%
Miami/WSVN + 1%
San Francisco/KBHK + 8%
Houston/KTXH + 9%
...and others!

MYSTERY WHEEL OF ADVENTURE™

*Mystery Wheel was one of the top 10 prime movies of Oct. '89 on all of those stations, plus
Los Angeles/KCOP
Philadelphia/WTXF
Boston/WSBK
Washington/WTTG
Denver/KTVD
Phoenix/KUTP
...And Many More!

*Plus, Mystery Wheel ratings are growing nationally... Up +16% OVER ITS DEBUT WEEK!!!

PROGRAMMING TO BUILD YOUR PROFITS
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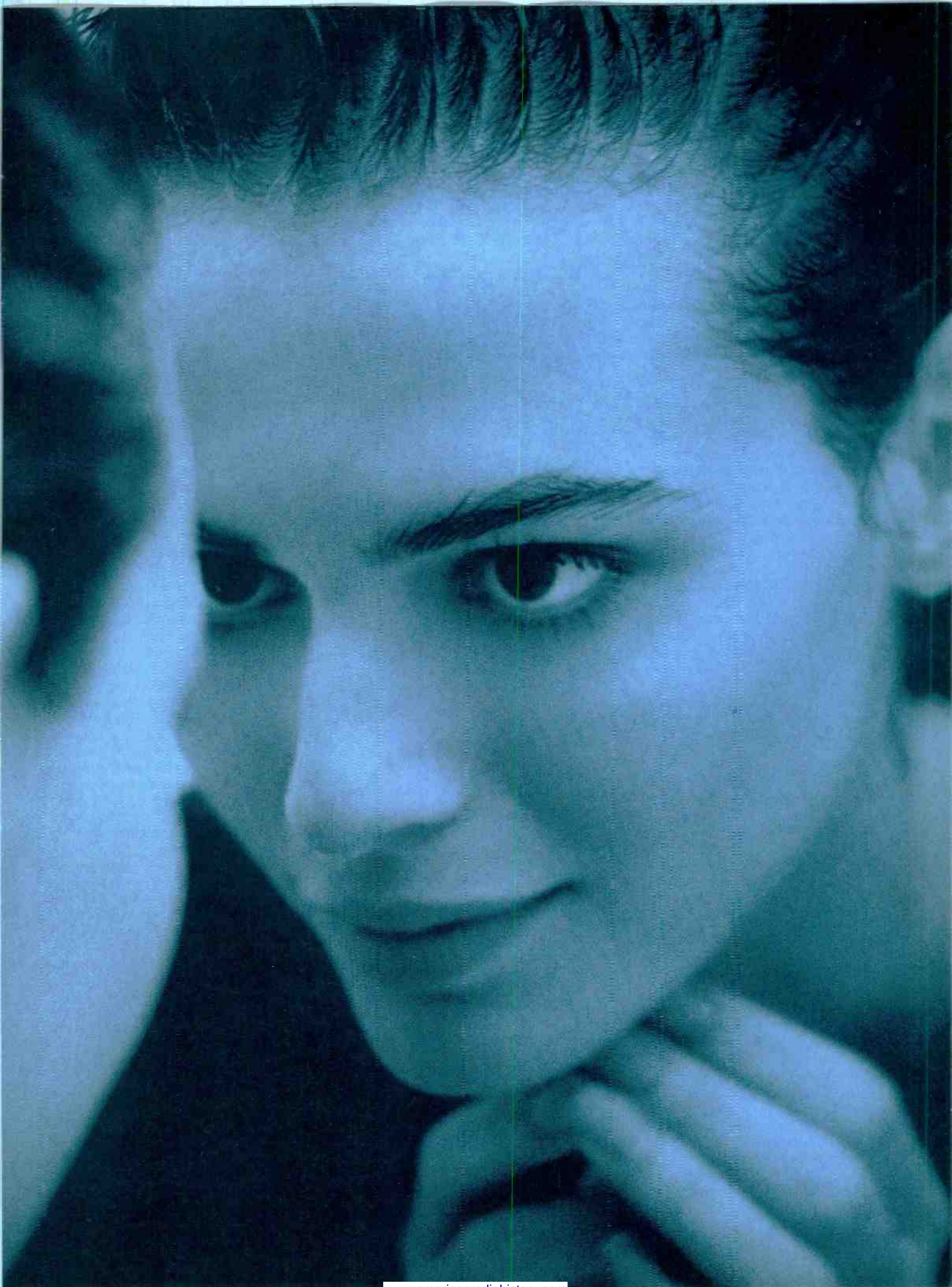
DICK FRANCIS MYSTERIES™

THE SAINT™

Source: Nielsen overnights 9/28–10/25; NSS, 10/9–22

LOOK FOR EXCITING NEW ELEMENTS FOR THE '90–'91 SEASON!

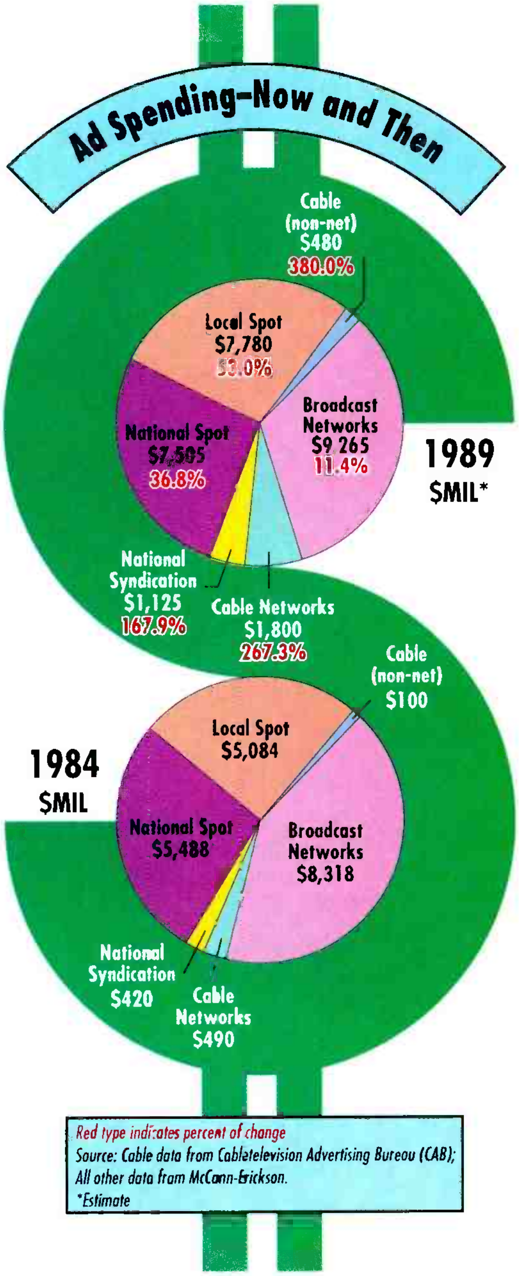


tional tie-ins with major retailers in 1989, and while the benefits of the promotions have yet to translate into measurable ad revenue increases, the networks are hoping the efforts will drive spending in 1990 and beyond. Early returns are positive. CBS's links with K mart resulted in an impressive 16.3 debut rating for a new sitcom, *Major Dad*, which beat out NBC's entrenched *ALF*. NBC, in addition to aligning with Sears for its fall campaign, sold vignettes with tag lines urging viewers to call a 900 number for more information—providing a direct-response element for advertisers in the process. The offer convinced General Motors to buy 52 weeks of 1989-90 daytime, the advertiser's first showing in that daypart.

Even while the nets look to promotions to lure viewers, there is a general sense that more and more new ad revenues are coming to TV from advertisers' promotion budgets, reflecting renewed awareness of mass media's ability to build brand image long-term. Promotion got a particularly bad rap in 1989 when Kraft botched a mini-van giveaway by accidentally distributing half-a-million winning instead of losing game cards. "A lot of advertisers certainly have moved to holding the line on promotional dollars," says Richard Kostyra, executive director of media services at ad agency J. Walter Thompson. That development bodes well for television.

Still, the network horizon is clouded by advertisers' growing frustration with the simultaneous rise in the cost of commercial prime time and the decline in audience shares. One solution under consideration that is particularly disturbing to broadcasters: the creation of advertiser-owned media vehicles. Burt Manning, chairman and chief executive of J. Walter Thompson, told a convention of the Association of National Advertisers that frustrated agency clients are mulling the creation of a new TV network backed by the nation's 100 largest companies. While it's still just in the idea stage, with no timetable set, the agency maintains that several major advertisers are seriously considering the scenario.

The local sales picture holds a few uncertainties as well. Despite the expected bulge in car inventory in 1990, the benefits to local sales might be tempered if auto dealers, who are a primary source of local station revenue, use the image campaigns of the national car makers as an excuse to cut back on spending. And the proliferation of 15-second commercials—now representing two out of every five commercials on network TV—may further hurt spot television, which generally charges premiums on the short length in an effort to cut down on clutter. "We recommend to our clients who are heavy into :15s under no circumstances go straight into spot," says JWT's Kostyra.



Red type indicates percent of change
Source: Cable data from Cabletelevision Advertising Bureau (CAB); All other data from McCann-Erickson.
**Estimate*

Issues from 1989 that will spill over into the '90s include advertiser wariness of controversial programming (and potential ensuing consumer boycotts). Network programmers offered mostly tamer series fare for the '89-90 season, in the wake of threats by a Christian fundamentalist group last summer to boycott advertisers who supported programs the group said contained too much sex and violence. Publicly, however, the networks deny any change in stance. "We have always factored in the conservatives and we take that responsibility seriously," says Matthew Margo, vice president of program practices at CBS. "You can't program a computer to make taste calls." Miniseries scheduled for the fall sweeps nonetheless included stories about a woman convicted of shooting her three children (ABC) and a woman murdered by her former lover, now a member of the Ku Klux Klan.

The networks will continue to hedge their bets on a future that promises rapid change and upheaval. With the announcement last fall that CBS had inked a cable deal giving Turner Broadcasting System the rights to carry some of the events of the 1992 and 1994 Winter Olympics, all three networks now are linked in some way to the medium that was once considered an arch adversary. Their goal is to protect against further revenue drains by forging relationships with the siphoners. "ESPN, which is 80-percent owned by ABC, is making more money than ABC," notes Alan Gottesman, first vice president and analyst at PaineWebber.

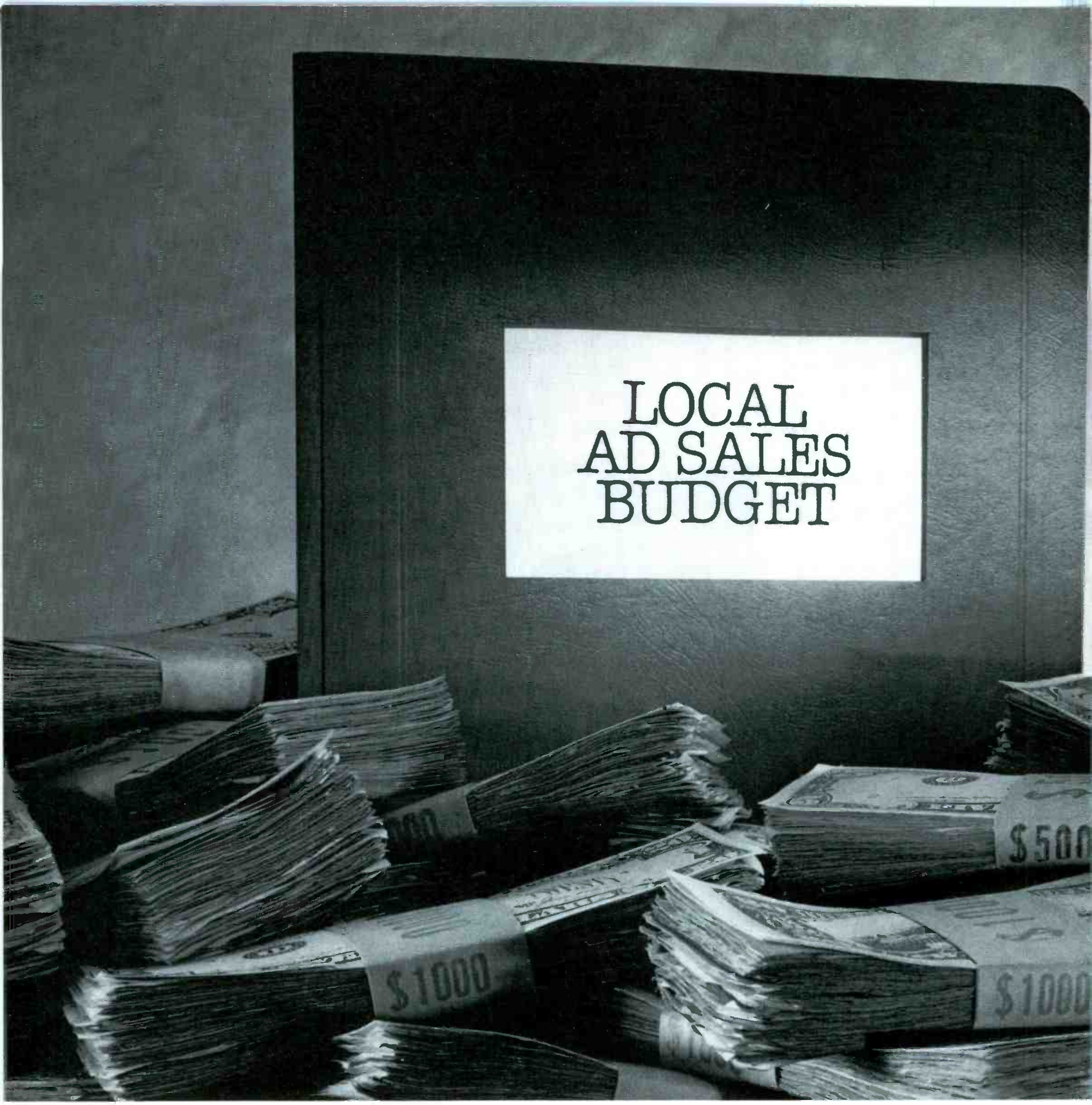
For its part, cable is trying to gain more business by becoming as user-friendly to advertisers as broadcast TV is. The Cabletelevision Advertising Bureau has launched a national cable planning system to help advertisers sort out the cable options. Group W has created a rep firm specifically to sell time on local cable sports, the first of its kind, in an effort to woo new national advertisers to local systems.

Cable's continuing increase in viewer penetration offers perhaps its best hope of giving national spot television a run for its money. USA Network, for instance, reports that it showed up in a record number of Nielsen's local market ratings books in the summer of '89. The criterion for inclusion in the books is viewership in at least 19.5 percent of all households in a television market during an average week.

Clearly, with cable ad revenues projected to grow roughly 20 percent each of the next two years, the broadcast networks cannot rest on the success of the 1989 upfront market. "At best, I see it as a symptom the patient will live rather than die," says Robert Coen, senior vice president and director of forecasting at McCann-Erickson. The patient's quality of life remains unclear.

DAVID KALISH

ILLUSTRATION BY JIM LUDTKE



MAKE YOUR NUM

There's money to be made in ad sales. Big money. And USA has numbers made for the job. Big numbers.

Like the largest household audience a cable advertiser can buy.

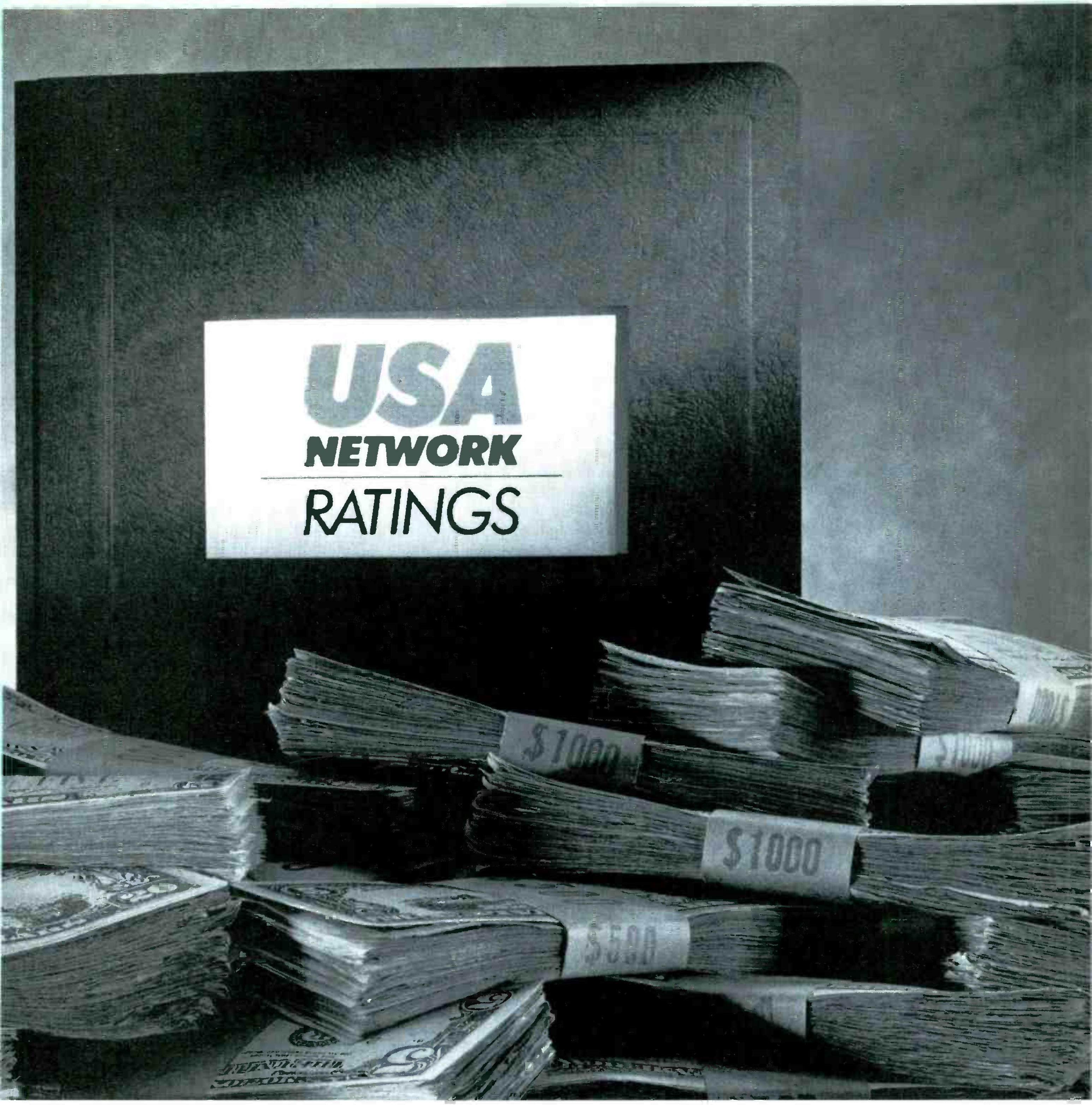
In fact, the same high viewership that has made USA America's Favorite Cable Network adds up to better results for advertisers and for you.

Source: Nielsen NCAR, Mon-Sun, 7-11pm, 2nd Quarter 1989. (Excluding SuperStations.)

Because high viewership means high ratings. And when your local rates reflect the huge audience delivered by USA, you can figure on a major boost in ad sales revenue.

USA's big numbers also enhance the value of all the inventory you have on hand. Our programming is designed to attract large audiences that are well-targeted, too.

A M E R I C A ' S   F A V O R I T



BERS WITH OURS.

Like teens. Women. Or sports fans.

So you can package highly rated USA programming with vertical networks, and sell more of your entire inventory.

Along with high ratings, you can count on USA for substantial selling support. Like training seminars. Sponsor-solicitation promos. And monthly sales kits providing programming details, audience profiles and selling strategies. There's even on-call advice available through our 1-212-408-9196 USA Spotline.

So do something about your numbers. Use ours. And let USA's high ratings give you results. Big results.

USA® NETWORK

E CABLE NETWORK

THE FINANCE SCENE

Deals That Were, Or Almost Were

The fiercely contested Time Warner merger, a late-year stock dip and capitalization binds made 1989 volatile.

The nasty battle preceding the Time Warner merger, which dominated the media financial world in 1989, set the stage for the global media decade to come. The hard-won union underscored the value of production/distribution companies with program assets to deploy in many media. And it enhanced a deal market that in the '90s is likely to fix on the continuing expansion of U.S. cable TV, and opportunities to leverage program assets globally.

The Time-Warner-Paramount brawl also raised questions about media finance and the way deals are done. Although Paramount's hostile bid for Time Inc. failed, in the process of defending itself Time was forced, as part of a recapitalization scheme designed to protect it, to take on so much debt that its ability to compete is lessened in the near term.

Morgan Stanley principal Charles R. Cory, a Paramount adviser during the tussle, sees a larger significance to the deal than a simple court defeat for Paramount. "Even though they lost, they left Time Warner weakened," Cory says. "But more important, perhaps, was the fact that they forced Wall Street to abandon analysis of earnings in these situations and preach the gospel of cash flow. In that sense it ended up being a win [for many companies]." Of the Delaware Court decision that permitted Time Warner to proceed, he says, "We didn't lose in the sense of being defeated. We were frustrated by a court decision, one we knew would be a close call."

It may have the most lasting impact, but the Time Warner deal wasn't the only event to shake the financial world in 1989. The stock market trembled on an October Friday the 13th and the Dow Jones Industrial Average lost 270 points in a two-day period. In subsequent weeks it appeared the reasons for the collapse would turn out to be more complex than profound. But the dip did cause serious market jitters, in many cases erasing significant 1989 gains for television-related issues and making it harder, at least temporarily, for TV and entertainment companies to raise money in the public market.

Despite the October setback, production stocks surged during the year in the aftermath of both the Time Warner deal and Sony's expensive acquisition of Columbia Pictures Entertainment. Soaring also through the period were the issues of large media companies of all types, with Capital Cities/ABC, for instance, showing a 45 percent gain in the first three quarters of 1989 alone.

Several high-profile investors were caught short during the year, as the dangers of overleveraging continued to make waves in the media industry. The Gillett Group, the nation's largest station owner, was forced to refinance its piece of the $1.3 billion acquisition of six Storer TV stations, begun in 1987. And Australian Christopher Skase's Qintex sent ripples through the marketplace when its U.S. arm filed for Chapter 11 protection in October, just days after the collapse of the parent company's deal to acquire MGM/UA for $1.5 billion.

In cable, the number of transactions fell in '89, but total dollar value was up. Systems worth close to $5 billion changed hands in the first three quarters of the year, about 25 percent above the comparable figure in 1988, according to Paul Kagan Associates data. Large cable operators continued to raise money aggressively, with Falcon Cable creating new equity sources and Continental Cablevision arranging a unique $450 million high-yield financing in '89's fourth quarter.

Cable broker John Waller admitted in the fall that the public debt market was "not great," but noted that other sources of bank debt and private placements continued strong through 1989. Despite apprehension about the longer-term impact of possible cable reregulation, Waller and other cable experts predict that cable equity deals will continue to be made.

MERRILL BROWN

Television and Cable Financing

Public Domestic Issuer	Issue	Amount (MIL)	Underwriter
10/89 Turner Broadcasting	12% 12-year senior subordinated debentures	$550	Drexel Burnham Lambert
4/89 Knight-Ridder	9.875% 20-year debentures	200	Goldman Sachs
2/89 Malrite Communications	variable rate 10-year senior subordinated debentures	167	Shearson Lehman Hutton
2/89 Comcast	11.875% 15-year senior subordinated debentures	150	Donaldson Lufkin Jenrette
8/89 Black Entertainment Television[1]	1,200 Dutch auction preferred stock	120	Merrill Lynch Capital Markets
8/89 Black Entertainment Television[1]	1,200 Dutch auction preferred stock	120	Merrill Lynch Capital Markets
8/89 Black Entertainment Television[1]	1,200 Dutch auction preferred stock	120	Merrill Lynch Capital Markets
6/89 Times Mirror	8.70% 10-year notes	100	Goldman Sachs
3/89 Times Mirror	10.20% two-year notes	100	Morgan Stanley

Source: Morgan Stanley & Co. [1] BET made three separate transactions on August 10, 1989 for Dutch auction preferred stock with a floating rate dividend.

THE REGULATION SCENE

Washington Casts A Regulatory Spell

Although cable issues dominate the policy agenda, a more moderate FCC wants to take a major role in global issues.

When the consulting firm of Putnam, Hayes & Bartlett Inc. sponsored a seminar recently on emerging antitrust and regulatory issues, it targeted four industries for discussion: sports, health care, utilities—and cable TV.

Why television? "Television is one of the industries of intense interest these days because of the policy issues that are being raised concerning the cable industry," says Robert A. F. Reisner, an economic consultant with the Cambridge, Mass.-based firm.

His comments reflect a consensus that television's future is inextricably linked to the cable industry. But a bigger set of issues is emerging. While regulatory debate has focused on competition in distribution, Reisner and others see a broader, more enduring set of concerns developing that includes vertical integration, new competitors such as phone companies, market fragmentation, foreign media ownership, and competition in the international television arena. All will alter television's landscape and the regulatory environment in the 1990s.

The Bush administration's approach to regulation is more pragmatic than the ideological tack of the Reagan years. While skeptics within the administration remain, there appears to be a greater willingness to consider regulation as a policy tool. "Without question the regulatory pendulum is swinging back, not only in communications but in regulatory matters in general," says James Mooney, president of the National Cable Television Association. "The government is moving away from deregulation merely for the sake of deregulation."

Adds John Kamp, vice president, Washington office, of the American Association of Advertising Agencies: "The Washington mood is much different. The strong reliance on the marketplace to regulate has clearly abated."

For broadcasters, the impact may be felt through demands on their role as public trustees, and can already be seen in legislative efforts to reimpose the Fairness Doctrine, pass a children's TV bill and examine TV content in hopes of curbing sex and violence on the screen. Congress may also look at imposing restrictions on beer and wine ads on TV, setting limitations on political advertising and imposing fees for broadcast towers. For cable, the administration's change in tone also means renewed governmental scrutiny of the relationship between operators and consumers, and heightened concern about actual and potential industry abuses.

At the heart of the increasingly bitter cable debate is how regulators deal with what competitors say is the conflict between cable operators' traditional role as distributors of broadcast programming and their emerging role as competitors for both viewers and ad dollars. "We are gearing up for a very active Congress and FCC," says Edward Fritts, president and CEO of the National Association of Broadcasters. "We intend to continue to position and shape the regulatory framework for free over-the-air broadcasters to insure a very bright future."

In September, Fritts wrote Sen. Daniel Inouye (D-Hawaii), chairman of the Senate communications subcommittee, to urge Congress and the FCC to consider removing cable's "privileged status" under the 1984 Cable Act. "Congress is looking at the 1984 Cable Act and realizing that serious mistakes were made," Fritts says. "They're reviewing the bidding and recognizing that they helped an infant industry become mature and richly successful almost overnight," he adds. "I've got a hunch that the cable industry knows that it will have to accept a certain amount of regulation."

Mooney disagrees. "I don't think there is any consensus in favor of legislating in the cable area right now," he says. "There is more interest in the Senate than in the House, but there's no consensus. To the degree that cable rates stay within the inflationary trend of the rest of the economy, it will be less likely that such a consensus does develop."

Others, however, are working to cultivate interest in Congress. "In our judgment, the number one public policy issue that underlies most, if not all, of today's proceedings and debates is the future of free TV," says Preston Padden, president of the Association of Independent Television Stations. "There is now a consensus that the unregulated monopoly on video distribution that the cable industry enjoys can't continue." Padden suggests one of two things will happen over the next few years. "Either everybody will . . . accept the fact that cable is a natural monopoly, and establish some traffic rules," he says, "or competition will be introduced via the phone companies."

The tenor of the debate will also be affected by public reaction to the syndicated exclusivity rule requiring cable operators to black out some of the programming they carry, which takes effect January 1, 1990, and the ability of the NCTA, the NAB and INTV to reach a compromise on must-carry.

A must-carry agreement seemed near in 1989, but became snagged on the issue of channel positioning. Cable-broadcast ties were further strained by the decision of Time Warner's ATC to program a Rochester, N.Y., cable channel as an independent station (dubbed WGRC) in competition with local broadcasters.

Adding fuel to the debate will be cable's plans for a more public defense against broadcasters. "The cable industry has gotten fed up with giving the cable-bashers a free ride," says Stephen R. Effros, executive director of the Community Antenna Television Association. "We're going to make it clear to anyone who wants to engage in cable-

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*As of 12/1/89.
Source: Arbitron

bashing that there is a cost. If broadcasters want a level playing field with cable, then they should have to pay for their distribution just as we pay for ours. And we will promote spectrum fee legislation to that end."

A battery of tests await cable on Capitol Hill. More than a dozen bills have been introduced, ranging from a proposal by Sen. Howard Metzenbaum (D-Ohio) that would give local governments authority over cable rates, to a sweeping measure by Sen. Albert Gore (D-Tenn.) and others that would let phone companies provide TV services and require the Federal Trade Commission to investigate cable concentration.

In the House, Rep. John Dingell (D.-Mich.), Commerce Committee chairman, has said that his priority is to move on lifting restrictions imposed on the regional phone companies as part of the breakup of AT&T. Moreover, efforts to lobby Congress will intensify this year as the National League of Cities and the U.S. Conference of Mayors—still smarting from concessions made in the 1984 Cable Act—press for renewed cable rate regulation. They have joined with the phone industry, which has made competition with cable a top priority.

Among the cities' chief complaints are rising cable rates. As Tucson Mayor Tom Volgy complained, a recent $2 hike in basic cable rates in his area boosted monthly bills to about $19, almost double the $9.95 basic charge when cable was introduced in 1983. Their case was bolstered by the long-awaited General Accounting Office report released August 3, which showed that basic rates rose 29 percent in the first two years of deregulation and overall cable bills rose 14 percent. The cable industry argued that the 14 percent increase was reasonable considering that the number of basic channels had increased from 27 in 1986 to 32 in 1988.

At the same time, major changes in the cable industry—such as the Time-Warner deal and TCI's recently acquired interest in Showtime—may also draw congressional attention. Some industry insiders suggest that the focus on rates and services could ebb as interest increases in the merger and consolidation practices of the industry.

All of these complex developments will have an impact on television's political future. "More slowly and less surely, broadcasting is entering a new phase, from being a mature industry into one that has to restructure to survive," says Andrew Jay Schwartzman, executive director of the Media Access Project, a D.C.-based public interest law firm. While broadcasting's clout and audiences can't be ignored, he says, "cable is growing and increasing in power, and broadcasting is an industry whose influence has peaked."

As regulators begin to look at the TV industry in broader terms, they will see that programming and distribution changes have created an increasingly fragmented business. "The U.S. marketplace has essentially reached a holding pattern because the average viewing [of

television] is already extremely high," says Reisner. "What you are doing is cutting up the existing pie."

The fragmented market only adds to the pressure put on the broadcast networks by declining audiences and rising program costs. As a result, the three networks will step up their efforts to repeal the FCC's controversial Financial Interest and Syndication Rules, which bar them from sharing in lucrative syndication profits from shows they air. In 1990, companion Justice Department consent decrees expire, permitting the networks to produce more of their schedules.

In the year ahead, TV programming and programmers will also be affected by key international developments. Globalization of the media and foreign buyouts of U.S. firms, such as Sony Corp.'s $3.4 billion cash purchase of Columbia Pictures Entertainment, could draw congressional interest. The Sony deal comes as U.S. networks seek joint production ventures or buy into European producers to position themselves for 1992, when the 12 member European Community becomes a unified market. The U.S. program industry's European plans suffered a potentially serious blow from an October vote, over U.S. objections, by the EC foreign ministers to adopt rules directing that half their entertainment programs be produced locally. (According to the Motion Picture Association of America, U.S. producers earned more than $900 million from foreign sales in '88, compared with $100 million in 1980.) Ambassador Carla Hills, who heads the Office of the U.S. Trade Representative, called the decision "blatantly protectionist and unjustifiable," and promised to challenge the decision as a trade barrier. The U.S. "believes that the local content requirement in the broadcast directive is inconsistent with the Community's obligations not to discriminate against foreign products," she said.

In his early interviews and Congressional appearances, new FCC chairman Alfred C. Sikes emphasized the need for the FCC to think globally. "Technological advancement, globalism and national competitiveness are today's communications watchwords," he said. "And the FCC clearly plays a central role in virtually every regard."

Sikes, who formerly headed the National Telecommunications and Information Administration, is considered bright, open-minded, politically astute and more pragmatic than his two Reagan era predecessors, Mark Fowler and Dennis Patrick. Soon after he took office, Sikes saw Congress move to reinstate the Fairness Doctrine as part of its fall budget legislation. Though he opposes the doctrine, Sikes told lawmakers he would enforce it, indicating that his dealings with Congress will be far less confrontational than those of his predecessors.

The effectiveness of his approach is likely to be measured by how he deals with two major issues: cable television and high-definition TV, an issue that received a setback in September after the Commerce Department dropped plans to spur an HDTV initiative.

Add a new FCC to other industry changes, and the year ahead promises to be provocative—and critical. Asked what kind of year he predicts, NCTA's Mooney says simply, "Busy, busy."

PENNY PAGANO

ILLUSTRATION BY BECKY HEAVNER

THE TECHNOLOGY SCENE

Snaring the Elusive High-def Standard

Researchers and regulators have set a tight schedule for weeding out HDTV systems. Will they stick to it?

High-definition television dominates almost every discussion about the next generation of TV technology. The debate ranges from questioning how to find the best HDTV system for U.S. broadcasters and cable to arguing that the government and the private sector shouldn't expend so much energy on a technology that consumers may not even want. Rhetoric aside, the HDTV waters are still muddy after 1989's flood of activity.

One fundamental question has been answered—The field of candidates submitting HDTV systems for consideration by the FCC has narrowed to seven companies. The proponents and their systems are: Faroudja Laboratories' SuperNTSC; Production Services' Genesys; Sarnoff Research Center's ACTV-I and ACTV-II (a two-step process); NHK's Narrow-MUSE and MUSE-6 (two systems); Zenith's SC-HDTV; Philips' HDS-NA; and either MIT's MIT-RC or MIT-CC (MIT has not specified).

With that roster in place, the players on Capitol Hill and in the labs can move on to the real work. Two research organizations will bear the heaviest burden in choosing an HDTV standard, The Advanced Television Test Center (ATTC) and Cable Laboratories. Both will conduct uniform, objective testing of the proposed systems, with ATTC handling all over-the-air transmission testing and CableLabs testing cable distribution. "We have to exercise [the systems] fully and identify their operating capacities under real and stressed operating circumstances," explains ATTC executive director Peter Fannon. Faroudja's SuperNTSC is scheduled to set up in ATTC's Alexandria, Va., facilities in May 1990, and the final system, MIT's, should be finished with testing in the fall of 1991.

The testing timetable has been set by the FCC's Advisory Committee on Advanced Television Services, headed by former FCC chairman Richard Wiley. Wiley's committee will also play an integral part in selection of the final HDTV system, working as liaison between the FCC and ATTC/CableLabs.

During the first quarter of 1990, the Advisory Committee will have its hands full. By year-end 1989 each company offering a system for consideration must have submitted a full disclosure to the committee detailing how each system works. From those disclosures, the Advisory Committee will then draft testing procedures and come up with suitable testing material (test patterns, still images and moving sequences) to assess each system's capabilities. That must be done by May, when testing is scheduled to begin. Wiley sums it up: "We make sure that there is a fair, expeditious and understandable process, with recommendations that will be worthwhile to the FCC."

Many doubt that this tight time frame will hold. And the domino effect produced by even one delay could push any part of the procedure back indefinitely. "It's an ambitious schedule," admits ATTC's Fannon. "There are an awful lot of things outstanding." Any decision on selecting a system (or systems) isn't expected to filter back to the FCC through the Advisory Committee before 1993.

Outside the government-supervised research loop, competitors to traditional broadcast and cable delivery are forging on in their research, a charge led by the telephone companies. In October, Bellcore, the Baby Bells' research arm, successfully transmitted an HDTV signal across 18 miles of fiber-optic wire. And smaller domestic companies are working to develop companion HDTV electronics, such as flat-screen TVs.

All the back-and-forth in research aside, however, there are some in Washington who think HDTV is being pursued by the wrong sector, and others who suspect that the industries involved are chasing something that may never catch on with consumers anyway. One view, as expressed by Andrew Jay Schwartzman, executive director for the Media Access Project, a public interest law firm, has the government not taking an active enough role in funding HDTV research (the companies are paying for their own R&D). "In the short term," Schwartzman says, "HDTV will serve industry, medicine and defense. Why should electronics consumers carry the burden of funding?"

Another faction, including the Cato Institute, a conservative Washington think tank, believes that more government involvement would be a waste of money, since there is a chance that HDTV could be a technological "turkey" if consumers don't respond to it. With HDTV already up and running in Japan, however, American television isn't likely to settle for anything less than high-def. MICHAEL BURGI

ILLUSTRATION BY TOM SCIACCA

TELEVISION JOURNALISM

All the News That's Glitz

With dollar signs in their eyes, everybody—networks, local stations, cable—is spewing out more news product.

Television news has kicked into hyperexpansion mode. Network, local, cable, independent—news programs are sprouting out of almost every TV pore. Most of it has a Hollywood sheen and is designed to make a lot of money.

On the Big Three broadcast networks there is an unprecedented amount of star-driven, glitz-laden news product. The content of the morning couch shows is almost irrelevant; what matters is *The Today Show* family breakup. Jane Pauley got bumped by the younger and blonder Deborah Norville. Pauley has been promised a prime-time show, but remember what happened to Roger Mudd when he got his shot at NBC prime time?

At venerable *60 Minutes* the hot news is the face-lift it got with the addition of two comers, Meredith Vieira and Steve Kroft. Elsewhere on CBS, two-season veteran *48 Hours* continues to cruise along as a prime-time vehicle for anchor-star Dan Rather, while shut-ins get a date with a favorite anchor on *Saturday Night With Connie Chung*. At ABC the Barbara Walters-driven *20/20* has been augmented by the Sam Donaldson and Diane Sawyer showcase, *PrimeTime Live*.

The networks view increasing their news stock as a win-win scenario. More news shores up the network image, and it's usually profitable to produce, a programming double whammy.

Local news has gotten the same idea. The station that is number one in news in a market is usually the winner overall. An increasing number of affiliates are bolstering their news lineups with early morning and noon programs. Sacramento NBC affiliate KCRA has launched a nightly 2 A.M. to 5 A.M. newscast and in January '90 plans to bump the network's Saturday morning children's programming in favor of a local news block.

Several independents have shored up their news operations as well, and a handful have made it their reason to be. Their stance is "regional CNN." Some notables are WWOR New York, WSVN Miami and KHJ Los Angeles. "Doing more news is a hedge against all that competition for ad dollars," says Joel Cheatwood, v.p. of program development for Sunbeam Broadcasting, owner of WSVN. "You can make a few bucks by generating more news programming."

News as profit center has a soft underbelly, however. Too often news departments beef up programming but not staff. When that happens, important stories get botched or ignored completely. News-as-money-machine means T&A-driven sweeps series; it means reenactments in prime-time news; it means the worst sleaze-to-please moments of *A Current Affair* and its brethren.

Connie Chung: starstruck news in prime time.

The upside to all this is that the breadth of what TV news covers has increased. There are pockets of quality journalism on the dial, from *Nightline* to *Frontline*. When major news hits, as it did in 1989 with the upheaval in China and the San Francisco earthquake, the Big Three and CNN generally capture the magnitude and immediacy of the story in a way no other medium can. Technological innovations from satellites to camcorders add more dimension to the news-gathering process. The universe of TV news is not only bigger, it's more self-assured.

Cable is at the heart of the news explosion—on a macro and micro level. Increasingly, cable systems, alone and in consort with broadcast outlets, are venturing into the world of hyperlocalism, starting news operations that provide a video version of the community newspaper. On a national level, FNN and CNBC are battling for preeminence in business news. But the big story in cable news is CNN. Approaching its tenth anniversary, CNN is in the midst of a major reevaluation of its mission. There is an awareness that to succeed in the '90s it has to be more than a wire service with pictures.

When starting an evening newscast, launched in '89 to go head to head with the broadcast networks, CNN seemed to give a nod to style over substance by selecting Catherine Crier, a judge with no previous news experience, to share anchor duties with Bernard Shaw. But the network's hiring of Pam Hill, the ex-head of the ABC News documentary unit, and muckraking pro John Camp may fortify now-anemic network investigative journalism.

What does all this tumult in TV news portend? Av Westin, who created *20/20* and is now trying to create news magic in syndication with King World's *Inside Edition*, speculates on the demise of the network newscast. Ratingswise, *A Current Affair* may be the only syndicated news success story, with *Inside Edition*, *USA Today* and *Hard Copy* struggling onward. Still, Westin knows the days of the Big Three's news monopoly are long gone. Perhaps a Koppel or Rather will flee the network nest and offer a syndicated commentary on national and world events instead, he speculates, and maybe CNN would enter the fray with its own syndicated nightly news.

"Just remember," says Westin. "Now more than ever the engine pulling the news train is money." J. MAX ROBINS

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THE INTERNATIONAL SCENE

American TV Loses Its Visa

The international sales boom is quieting down, forcing U.S. distributors to develop new strategies abroad.

Last September, an executive with a U.S. program distributor wisecracked, "If you're looking for the top brass in international TV sales, don't call Hollywood; just phone the Ritz in Madrid. They're all there." Slightly overstated perhaps, but not by much. In what had become a kind of ritual of the '80s, the U.S. sales establishment had descended on a market whose government had just okayed private commercial television for the first time, creating new channels with hours of time to fill. Added the same executive: "I hope they enjoy it, because it's the last time this will happen."

He's probably right. Spain is the last sizable European market to introduce a burst of commercial television, allowing three new stations to sign on at once. Henceforth, carving out successful international business strategies, particularly in the important European market, will become more complex for U.S. producers and their distributors. Looking ahead, some programmers are seeking to create demand for their product through ventures outside of television.

American distributors flocked to Spain hoping to rekindle the kind of buying frenzy that created a much-publicized boom atmosphere in international program sales over the past few years. Since what some call the collapse of the French market last year, when the government tightened quotas on imported programs and French buyers stopped shopping for U.S. shows, a number of U.S. sellers have anxiously scanned the horizon for the next hot market. Their greatest hope is to re-establish the superheated sales levels that resulted from the creation of private television in Italy, France and the U.K. during the '80s, when demand and prices soared with the establishment of new channels. In Italy, for example, some distributors experienced price increases of 300 percent virtually overnight, thanks to the introduction of competition. In France, one distributor recalls the moment when public broadcaster Antenne 2, anticipating competition from private commercial television, suddenly increased its per-episode offering for some hour-long programs from $15,000 to $40,000, simply to guarantee itself the rights.

But many sales executives, such as William Saunders, president of Twentieth Century Fox TV International, admit it is unlikely they will repeat the kind of go-go sales record of the past five years; there is disagreement over how far the growth rate will drop. James McNamara, president of New World International, acknowledges that new channels "fill the pipeline only once," then buy more selectively. But McNamara and others insist there are still expansion opportunities left. Virtually everyone agrees growth will continue in international sales of U.S. shows; estimates of its rate range from 10 percent to 20 percent annually for the next several years.

Yet even 20 percent annual growth in sales pales when compared with the good old days in Italy and France—and most recently in the U.K., where during the past two years prices for theatrical films and some TV shows shot up nearly 100 percent. That surge was triggered by buyers for British Satellite Broadcasting (BSB), the planned DBS service, who swooped down on Hollywood with bulging checkbooks, ready to compete against Rupert Murdoch-owned satellite rival Sky Channel and terrestrial channels for U.S. programming.

A slump in the growth rate was probably predictable, but few were prepared for France's recently privatized and top-rated channel TF-1's abrupt refusal last year to buy any additional U.S. programs. Even more surprising to U.S. distributors have been TF-1's selective requests to renegotiate or cancel deals already completed. "France is one of several real problem areas," says Colin Davis, president of MCA International, adding that Australia is another area of concern.

Ironically, the buying boom began to deflate just as Hollywood producers were getting accustomed to the idea of an "exploding international market." It had quickly become an element in their financial equations; international distribution's role was to help make up growing production deficits before a show went into domestic syndication. But the hopeful equation never quite balanced. New hour-long shows produced for American network television's 1988-89 season ran up deficits averaging $231,000, according to *Channels* estimates. But last season only the most popular hours earned gross revenues over $200,000 overseas. Additional distribution expenses such as dubbing and print costs eat into the gross.

Estimated deficits for this season's new hour-long shows have declined to an average of $177,000 per hour, but international sales are still unlikely to wipe out the deficit on any but the biggest hits abroad. International syndication will not solve production-deficit problems on its own.

MCA's Davis knows this all too well. His company has been particularly hard hit by events in France (France provided some 15 percent of MCA's total foreign revenues for an average prime-time hour before TF-1 put its wallet away) and in Australia (where MCA's mega-output deal with the Ten network is jeopardized by the Ten group's near bankruptcy, its sale and consequent cost-slashing measures). "Anyone who looks to international sales to save them from deficits in the U.S. is pretty unsophisticated," he concludes. "Cost problems have to be solved in L.A." And MCA, along with a number of other major producers, has signaled that its plan to control costs will include more joint venturing for production, particularly in Europe.

U.S. companies' interest in international coproduction was also heightened last year by the threat that severe quota restrictions might be imposed on non-Common Market programs in 1992. Although the threat did not directly materialize when the 1992 directive was issued in October, the prospect of being shut out of Europe had already propelled such major U.S. producers and distributors as Paramount and MCA to explore co-ventures with European partners, at least partly to preserve access to the market.

Such deals come not a moment too soon, because European commercial production plans are on the upswing. TV viewers consistently demonstrate that they prefer native-made programs over imports, and that will force Europe's new channels to increase original production to compete in the ratings. Faced by this and other commercial and political needs, Europe's media barons are forming cooperative groups—the Association for Commercial Television in Europe, made up of five private broadcasters, is one—with an eye to production as well as other ventures.

This banding together of European broadcasters once again shifts the dynamic of the international marketplace. "As much as we don't want to admit it, the people who used to be our customers are becoming our competitors," warns Edward Cooper, president of distribution company Cooper Associates International and former president of Orion Pictures International.

But many American companies have now geared up to work in the new atmosphere, and not just as sellers. "Europe poses a complicated opportunity for American companies today," says Steven Koltai, who worked five years ago on the original plan for a partly U.S.-financed European DBS satellite, Coronet, which was nationalized and renamed Astra. Koltai, now Warner Bros. vice president for strategic planning, notes that companies such as Disney and HBO, both of which became involved in European DBS ventures, ran into complications and pulled out. "But companies grow from mistakes," says Koltai, who predicts that U.S. companies will continue to develop new business in Europe, but will move more carefully. "What appears to be sluggish American involvement in European media is caution," he explains. "And if you look closely, you'll see the same thing applies to the Europeans."

In the past year, two of the U.S. networks have announced aggressive international strategies. Both ABC and NBC, neither of which has a particularly large program catalog for international sales (thanks to limited in-house production for prime time), have said they will coproduce with European companies for the European market. NBC has proposed taking equity in overseas companies; ABC holds an interest in the German company Tele-Munchen (part owner of private German channel Sat-1) and plans to take a minority interest in the Spanish production company Tesauro. Both networks vow to increase international activity in the future. CBS International, which has acquired considerable product for distribution in the international market, lost its general manager and two members of its sales staff and was reorganized—not for the first time—last October, leaving observers wondering whether CBS had an identifiable international strategy.

In Hollywood, after several years of planning an expansion of its international activities, MCA lured Martha Burke-Hennesy away from London Weekend Television International to become its international vice president with special responsibility for finding international coproductions and co-ventures. Such projects will, in her words, "enable MCA to lay off some costs in a realistic way while creating an exciting and new television product." Burke-Hennesy admits she is "looking for the new formula that will get MCA into the new decade." And most other major producers are exploring ways of linking with overseas partners. Paramount, for example, is coproducing its ABC show, *Mission Impossible*, with Australia's Network Nine.

ILLUSTRATION BY DIANE TESKE HARRIS

But beyond distribution, coproduction and investment, some companies have adopted comprehensive and sophisticated strategies for creating audiences abroad. The Walt Disney Company and Viacom International, both heavyweight worldwide distributors of U.S. product, have devised new ways to deliver their high-profile, youth-oriented shows to the next generation of TV viewers. Viacom's MTV has gone global with a separate service, MTV Europe, amassing a potential 90 million homes in 26 countries, and Nickelodeon exploits its popular just-for-kids game shows via sales of the show formats to other countries, which then produce their own shows. Disney, looking forward to the opening of Euro Disneyland outside of Paris in 1992, has pulled out all the stops to bring Disney magic to Europe's kiddies. Etienne de Villiers, president, television, Buena Vista International, prefers to describe his job as "managing a franchise" rather than "selling," and the distinction is important. Disney Clubs, regularly scheduled programs that are specially tailored to each country, can be seen in Scandinavia, the U.K., France, Italy and Holland and will be in Germany by fall 1990. They not only spread the Disney culture and build brand recognition, they spur demand for Disney merchandise and theme parks.

On another front, last summer Disney acquired Jim Henson's Henson Associates, birthplace of the Muppets, Fraggles and other appealing creatures. In one quick consolidation move, Disney gained access to some of the world's most appealing kids and family programs, and helped assure a full future pipeline by retaining the creative talents of Henson into the next decade.

Perhaps most important of all, both Disney and Viacom are building youthful appetites for their unique brands of TV at the same time European producers are stepping up production. In essence, by taking winning American product and tailoring it country by country, Disney and Viacom are helping shape the taste of Europe's first generation of commercial-TV watchers. As new European productions begin to flood the screen over the next decade, viewers who grew up watching Disney, Nickelodeon-inspired game shows and MTV will have already established their viewing habits. For Viacom and Disney, the sales boom was only the beginning. KIRSTEN BECK

Overseas Markets: A Seller's Guide

Terrestrial stations dominate the market as far as most U.S. distributors are concerned, except in the U.K., where two high-stakes DBS satellite ventures heated up the market last year, and in Scandinavia. In 1990, program sellers expect more action from the satellite and pay-TV buyers.

U.S. distributors say the majority of their overseas revenue comes from six markets: Canada, Australia, France, the U.K., Italy and Germany. Here, in abbreviated form, is a guide to the television terrain in these countries. Following the big six markets are another five for which American distributors have high hopes.

CANADA: Two public networks run by the Canadian Broadcasting Corporation, one English-language, one French-language, funded by government and advertising revenues. One private commercial English-language network, CTV, and a host of regional and local stations. Two private commercial French-language networks, TVA and Quatre Saisons, as well as a number of local French-language stations.
Market Conditions: Status quo. Canada is the major purchaser of American programs and pays the highest fees. A regulatory push to increase Canadian content across-the-board, however, has spurred Canadian production and will limit increases in U.S. purchases.

AUSTRALIA: Three national private commercial networks: Australian Television Network (formerly known as Seven Network), Nine Network and Network 10. Two public networks: the Australian Broadcasting Corporation, general audience, and Special Broadcasting Service (SBS), with minority programs. Both supported by government funding.
Market Conditions: Seriously depressed. Debt-burdened by a 1987 buying spree during which all three commercial networks changed owners, the nets are trying to scale back the huge output deals and price increases negotiated last year with U.S. program distributors.

FRANCE: Three national private commercial channels: TF-1, La Cinq, M-6. Three public service channels: Antenne 2, FR-3, La Sept (cultural programs), all supported by license fees; Antenne 2 and FR-3 carry commercials. Canal Plus is a terrestrially delivered primarily pay channel that broadcasts part of the day unencrypted and the rest encrypted.
Market Conditions: In a downturn.

Commercial as well as public service channels have been hit hard by increasingly stringent quota restrictions on imported product. Although some buying is still taking place, most distributors believe it will take some time before the French begin replenishing their stock of American programs.

UNITED KINGDOM: One public service network with two channels, BBC-1 and BBC-2, supported by license fees (no advertising). Independent Television Network (ITV) made up of 15 privately owned commercial regional channels. Channel 4, private nationwide channel supported by advertising. Direct broadcast to home: Sky Channel, offering four channels.
Market conditions: Temporarily calm. After frantic buying over the last year to acquire programs for the two new DBS services (one of which, BSB, has yet to begin transmission), demand has cooled somewhat. Americans now look forward to the next phase of deregulation, which may heat up competition again by adding a fifth terrestrial channel and putting the ITV franchises up for auction.

ITALY: One public network with three channels, RAI-1, RAI-2 and RAI-3, supported by license fees and ads. One nationwide private commercial network, Reteitalia, with three channels: Canale 5, Italia Uno, Rete 4. Privately owned Tele-Monte Carlo and Odeon are dominant regional channels. Italy also has some 200 local broadcasters.
Market conditions: Calm. Unless one of the two contenders for the position of third major nationwide broadcaster becomes a real competitive force, RAI and Berlusconi-owned Reteitalia will continue to enjoy the benefits of a pricing duopoly.

WEST GERMANY: Two national public broadcasting organizations: ARD, which offers two national channels (one of which is regionalized) throughout the country; and ZDF. All supported by license fees and advertising. Four private commercial stations with limited but growing reach via broadcast and cable: Sat-1, RTL Plus, Tele-5, Pro-7.
Market conditions: Promising. The steady advance of cable, which carries the new private channels to regions they cannot reach over the air, is breaking the stranglehold public television has maintained over program imports. Many Americans foresee a steady increase in demand and prices.

SPAIN: One public network with two channels, TVE-1 (general audience) and TVE-2 (cultural, sports, minority programs). Seven public regional channels. All public channels supported by license fees and advertising. Three private commercial channels to sign on in 1990: Tel-5, Antena-3 TV, Canal Plus Espana (will broadcast five hours daily unencrypted and 19 encrypted).
Market conditions: Hot. Three new commercial channels are stocking their shelves, bringing a long-awaited increase in demand and prices.

SCANDINAVIA: Norway: One public network with one channel, NRK (no advertising), supported by license fees. One satellite-delivered private channel with advertising, TV-Norway, via cable. Sweden: One public service network with two channels, SVT-1 and SVT-2 (no advertising) supported by license fees. Denmark: One public service network with one channel, DR (no advertising), supported by license fees. One government owned but independent channel, TV-2, funded by license fees and advertising. A number of small local and regional stations.
Market conditions: Warming. The advent of a number of pay channels (some terrestrial and some satellite-delivered to a growing cable population) is driving up prices for movies and some particularly desirable shows.

GREECE: One public network with two national channels, ERT-1 and ERT-2, and one regional channel, ERT-3, supported by license fees and advertising.
Market Conditions: Poor, but expected to improve with the introduction of two private commercial channels during the next year. Greece pays some of the lowest prices in Europe, but distributors anticipate a jump in prices once competition enters the market.

PORTUGAL: One public network with two national channels, RTP-1 and RTP-2, ad and license-fee supported.
Market conditions: Approximately the same as for Greece.

JAPAN: One public service network, NHK, with four channels, two terrestrial and two delivered by DBS satellite. NHK is supported by license fees, advertising and subscription fees charged for DBS service. Four private nationwide commercial networks: TBS, NTV, Fuji and TV Asahi. Eleven private commercial regional stations.
Market Conditions: Not very promising. Japanese programmers insist U.S. programming does not attract an audience, but some American companies nonetheless manage to sell to the major Japanese networks, although primary success is with theatrical films for TV.

K.B., with CHRIS DZIADUL

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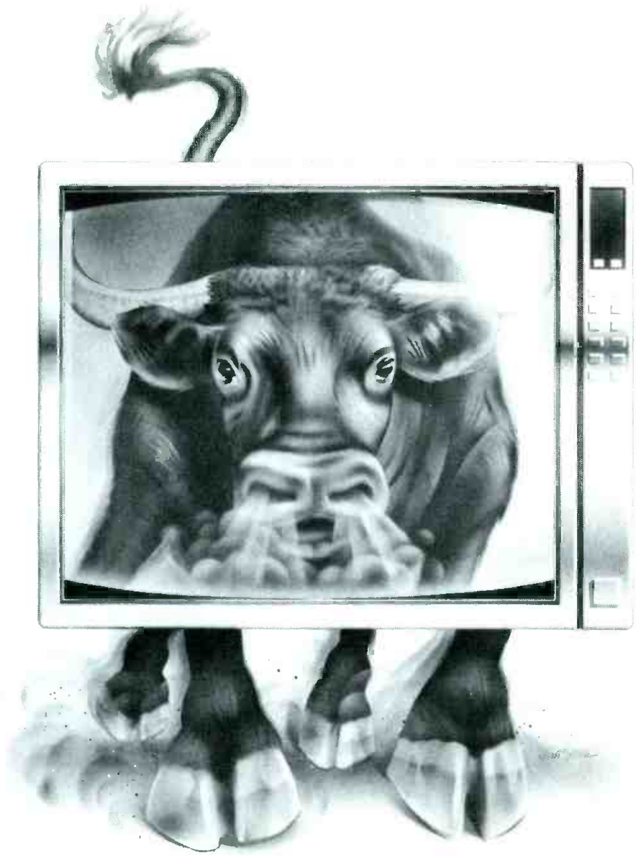
John A. Flinn, Editor



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10 to Watch

Consider "Players" a brief introduction to the television game and those who play it. In "10 to Watch," the first story, we profile achievers worth observing in 1990 and beyond. "Transitions" rewinds a year of TV history—births, deaths, mergers, coups and lawsuits. Next, "Trading" describes the plateauing of cable system prices, and the peaks and valleys in station sales. Finally, "Corporate Players" ranks the top 30 companies in revenue earned from television and entertainment.

ANDREW BARRETT

FCC commissioner Andrew Barrett is a telephone expert but a television novice. Joining the FCC at a time when cable reregulation, telco entry into cable and "indecency" content issues are at the top of Washington's agenda, Barrett is working to shore up his knowledge of the TV business and meet its players. More than a month into his watch, however, he was getting little help from the industry itself.

A Democrat turned Republican, Barrett had been at various times director of operations for the Illinois Law Enforcement Commission and executive director of the Chicago NAACP. When tapped, however, Barrett was serving on the Illinois Commerce Commission, the board that regulates telephone, gas, electric and water services in the state, and he notes, "I bring something helpful to the FCC in an area the Bush administration is concerned about, and that's information technology." Included in that rubric are video, voice and data services, and the issue of who will carry them into the home.

His familiarity with the telephone business has led some people to assume

Barrett favors telco entry into cable. Not so, he says: In the past he's detailed the possible results of telco entry, but never advocated it. The cable industry seems to be taking its time presenting its side of the debate to the commissioner. Over a month into the new job, he said, "nobody from cable has been in here to see me. They are expressing their interests and concerns someplace else, but they haven't done it here."

Barrett's also interested in hearing from grass-roots groups, such as Terry Rakolta's Americans for Responsible Television, concerned about programming content. He's sent letters to various groups offering to sit down and talk, so far to no response. "I find some of what I see and hear repugnant and offensive," he says, and adds: "I don't feel comfortable putting my personal sense of righteousness and morality up against what I think the Constitution allows people to do. But having said that, it is my intent to enforce the law to its fullest extent." JOHN FLINN

CHARLES CORY

For Morgan Stanley's Charles R. Cory, 1989 was a year of change, and rapid change at that. Cory, 34, was thrust into the media industry spotlight when he was named to succeed Steven Rattner as head of Morgan's communications group. Rattner, who headed a block east in midtown Manhattan to Lazard Freres & Co., had created an enormous media practice at Morgan Stanley built largely around cable transactions. Cory faced a huge challenge both because of Rattner's recognized

success in winning over top-echelon executives and because as he left, his team of finance professionals disbanded. All Cory had, and still has, to do is

ILLUSTRATION BY TIM LEWIS

recapture the Wall Street dynasty's momentum in media banking.

By mid-'89, Cory had been thrust into crisis mode when Morgan Stanley advised Paramount Communications in its failed bid to acquire Time Inc. And later, the firm again gained attention with another difficult—and failed—assignment, the sale of Norfolk-based MSO Telecable. Both were watersheds in media deal-making.

Television, entertainment and publishing executives will be watching the firm very carefully in 1990 to see if Cory and his ten-member team are up to their mandate of replicating Rattner's success. "We've had a shift of emphasis," says the boyish Cory, an eight-year Morgan Stanley merger and acquisition veteran. "The Morgan Stanley franchise was heavily cable and basically domestic. The cable business has slowed and a lot of the station market faces uncertainty. We're now growing into worldwide markets." What Cory and his new team offer are financial expertise and the massive global resources of Morgan Stanley. The firm employs 600 people in Tokyo and 1,500 in London.

"What you're going to see in 1990 is a very heavy year of large capitalization companies positioning themselves for the next century," he says. "The deal business is not a business per se. It is a reflection of the dynamism of the sectors involved." Cory wants Morgan Stanley at the heart of that global maneuvering.

MERRILL BROWN

CHUCK DUTCHER

Charles Dutcher III has a mission: "I want to help local broadcasters participate in cable news." Since November 1989, Dutcher has been positioned to accomplish that mission.

As the vice president and general manager of satellite news cooperative Conus Communications, Dutcher has in his grasp a powerful newsgathering machine with about 100 station members

nationwide (and 40 overseas) who contribute footage by satellite. But last August, he got a lot of help in reaching cable programmers when Conus and its managing partner, Hubbard Broadcasting, struck a 50-50 deal with Viacom's Showtime Satellite Networks to launch the "All News Channel."

All News Channel, which debuted in November 1989, provides a news service to the home satellite dish market and, more importantly, offers local broadcasters the chance to set up 24-hour news services, especially with the local cable system. "Our concept at Conus is to go out and make this product available to TV stations," explains Dutcher, "so they can form a cable relationship."

What Dutcher hopes is that Conus stations will cherrypick national and international material from the feed and add their own local stories and logo, creating a local news program. At first, Conus won't levy any fees, but should a station make a deal (with Conus acting as "ombudsman") with its local cable system, it will have to pay for the service.

Dutcher cites the relationship with Viacom as instrumental in accomplishing this goal. "We at Conus understand broadcast; Viacom understands cable, so we can facilitate a marriage of the broadcaster and cable system."

Heavy-duty marketing of the All News Channel starts in January 1990. Why not earlier? "Before you actually put it up, you're dealing in such subjective terms," Dutcher explains, realizing that the first few months will be spent working out bugs in the service. "It took Ted Turner nine years to get where he is, didn't it?" MICHAEL BURGI

BOB IGIEL

After years of setting up coproduction and sponsorship deals with advertisers and broadcast networks for ad agencies, Bob Igiel has hung his shingle across the street—at the Arts & Entertainment Cable Network. Igiel, who recently engineered the General Motors/A&E coproduction *American Playwrights* series for his erstwhile employer, NW Ayer, joined the cable net in September as senior vice president, business development. "Nick [Davatzes, president & CEO of A&E] and I were chatting and it just kind of happened," says Igiel, one of the pioneers in major miniseries sponsorship, with titles such as *The Winds of War* in his past.

"I perceive my job as designing programs for advertisers' needs while still fulfilling A&E's programming needs," says Igiel. "Advertisers have topics that are of particular importance to them, so I might go to them with something I have in mind or it might be something we design together."

Igiel believes that A&E's impressive demographics and cultural programming niche offer advertisers an ideal environment in which to sponsor and advertise. "A&E is blessed with a thoughtful, intelligent audience," he says. "In a sense we can fulfill the promise of cable to advertisers—to

provide interesting concepts and meaningful marketing ideas, which will help sell products and services."

Igiel, who was with Young & Rubicam and BBDO before his stint at NW Ayer, is also responsible for developing new revenue streams for A&E. He mentions expansion into foreign markets, home video, books and audiocassettes as possibilities.

A&E hopes the lure of its valuable audience will convince not only companies with huge national advertising budgets, such as General Motors and AT&T, to form coproduction partnerships, but also smaller, upscale companies, such as Jaguar. Igiel sees no limits to which companies would be interested in deals with A&E. "In almost all categories niche marketing has become important," says Igiel, "and that's what we offer. Cereal companies need thoughtful consumers, too."

BOB KREEK

Bob Kreek has direct responsibility for realizing one of Rupert Murdoch's key goals in launching the Fox network—boosting the value of the seven Fox owned and operated television stations. As president and chief operating officer of the Fox Television Stations Inc., the 41-year-old Kreek has shepherded ratings gains at the O&Os, playing off the growth of Fox's prime time while building audiences and revenues through shows such as *A Current Affair*, which was developed for the group by an individual station and then syndicated. His success is apparent in

WHY IS IT *that when people enter into business negotiations they feel they have to act in a certain way? A plaque in my office reads, "neither a scrooge nor a patsy be." This motto has taught me a lot of lessons. You have to be solid and upstanding in your principles and ideals. Strong in the board room. Shrewd in negotiations. But also make it a point to be compassionate and understanding. Listen to what the other person has to say. And, give more than you have to. If you're really going to find success in this world, you need to remember there's a time to be tough and a time to be tender.*

Bill Daniels, 3200 Cherry Creek South Drive, Suite 500, Denver, Colorado 80209

New York and Los Angeles, where Fox's WNYW and KTTV tied the CBS O&Os in those cities (WCBS and KCBS) in sign-on to sign-off ratings in last July's sweeps.

Kreek's goals for the coming year include further program development, in line with Fox's three-year-old policy of in-house production. Program costs are

the line item he'd most like to shrink. But with four newly acquired syndicated game shows filling much of the O&O afternoons, he'll concentrate on the early fringe and late fringe periods, which provide the greatest revenue potential for the stations. "If I can get the programming developed properly internally," he says, "the freshness, the economics all make sense."

Successful weekly shows developed by the O&Os would have a good shot at landing on the Fox network. *Cops*, which debuted on the seven O&Os in January '89, became a network show in March. Internally developed weekday strips would most likely go into syndication, as *A Current Affair* has done. Among those programs in development are reality show companion pieces for *A Current Affair*. Kreek says he's also trying to come up with a way for the stations, which cover nearly 25 percent of the nation's TV households, to more easily trade news stories (five of the seven have news programs). Ideally, he'd like to include Murdoch's 24-hour European satellite SkyNews operation in the mix. He'll be spending much of the rest of his time, however, boosting ad sales in the increasingly competitive environment to which Fox has contributed.

NEAL KOCH

NICK NICHOLAS

For Nicholas J. Nicholas, it's not enough that the newly combined Time Warner Inc. has revenues of around $10 billion. In his current role as the company's president—and when he ascends to the co-CEO seat alongside Steven J. Ross in April—Nicholas is intent on further expansion.

"There are some things we'd like to do," he says—such as growing the international portion of the company's business from its current 25 percent of total revenues to 40 percent.

It's questionable whether that will happen before he takes over as sole CEO five years from now, Nicholas admits. He does say, however, that

Home Box Office is one of the most likely assets to expand overseas. Pay-TV growth has already come, with Time Warner's new investment in a Scandinavian network co-venture.

The son of Greek immigrants, Nicholas joined the Time controller's office fresh out of Harvard Business School in 1964. During his presidency of HBO in the late '70s, the network topped 1 million subscribers and turned a profit. But some of Nicholas' critics question whether, despite his impressive track record, he has the vision to run the mega-company smoothly.

Despite signals that Time shifted into a more aggressive gear with the merger, sources point out that hesitations by Nicholas led to missed opportunities in the past—including large system acquisitions and a chance to buy into Turner Broadcasting System earlier and more cheaply than it eventually did. And some think his managerial style "humorless"—they wonder how effective he'll be in melding the two corporate staffs and the very different company cultures.

Jerry Levin, a Time Warner co-vice chairman, counters that view: "He has a real sense of loyalty and fairness to the people who have worked with him."

Nicholas says that the company's relationships with people figure into the challenges ahead for him as well. "We need to put the two companies together in such a way," he says, "that all the new Time Warner people feel good about it, in personal and professional terms."

JANET STILSON

RANDY REISS AND GARTH ANCIER

Garth Ancier and Randy Reiss want to make Disney the Big Engine That Could, remedying the studio's poor showing in recent network program production. Toward that end, Reiss, president of the studio's network TV division and executive vice president of Walt Disney Studios, and Ancier, network production president, stoked the furnace in 1989, spending well over $20 million on top-flight writer-producers for the first year alone.

The ambitious new Disney regime, virtually all Paramount alumni, is trying to buy its way to network success. In 1987 they added Reiss, another Paramount colleague and then president of Norman Lear's ACT III Communications (the owner of *Channels*). At that time, the closest the Disney regime had come to network success was a distribution arrangement for Witt/Thomas/Harris' *Golden Girls* on NBC.

With wider success still out of reach, in early '89 Disney nabbed Ancier, fresh from his post as Fox Broadcasting's entertainment president. Reiss and Ancier put together a list of top writer-producers they thought they'd need to succeed. By mid-fall, they claimed to have signed nine out of the ten teams targeted, in a manner befitting a budget of more than $100 million. The list includes Matt Williams (*Cosby*,


Randy Reiss


Garth Ancier

Roseanne), Ken Estin (*Taxi*, *Cheers*, *Tracey Ullman*), Terry Louise Fisher (*L.A. Law*, *Cagney & Lacey*), and Patrick Hasburgh (*21 Jump Street*, *A-Team*). "We're trying to find 'A' players who have at least one great show (still) in them," says Ancier. In the process, Disney has landed a number of network series commitments for both mid-season and fall 1990. "We surprised ourselves," says Reiss. "We thought it would take us much longer to spend the money than it did."

At the same time, he and Ancier say Disney intends to wait patiently for the return on its investment. Nevertheless, many in the industry will be watching to see how much further up the hill Disney's engine gets in 1990.

NEAL KOCH

MICHAEL SCHULHOF

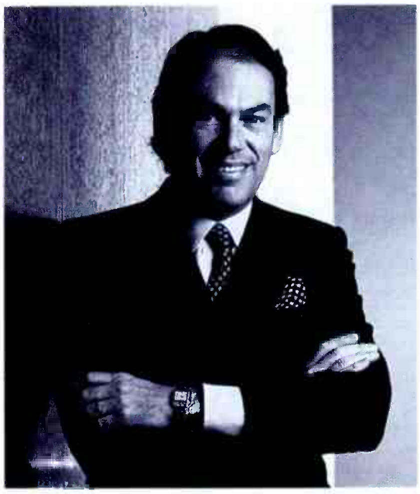
He speaks only serviceable Japanese, and his colleagues call him Mickey because they have trouble with his first name, but, like most Sony executives, Michael P. Schulhof is a scientist. As vice chairman of Sony Corporation of America, and the executive who negotiated the acquisition of Columbia Pictures Entertainment, his job will be melding Sony's technological expertise with the studio's programming capability for maximum return.

Schulhof, 46, has bridged technology and entertainment before. After representing Sony in a Japanese joint venture with CBS Records, his evaluation of the record company lead to Sony's landmark $2 billion purchase in January 1989. He says Sony did it because they felt the rise of the compact disc would help that business. The hardware created demand for the software.

With the Columbia purchase, Sony is hoping the software will drive the hardware. Schulhof believes the first wave of high-definition television systems won't make its way directly from Japan to American living rooms. "The place to begin using HDTV is in the production field," says Schulhof. "That is where it will first show creative flexibility and real production value."

"We will want to show HDTV to people in television production," says Schulhof, who grew up in Great Neck, N.Y. "But ultimately, any decision to use it will be 100 percent up to the creative people." Schulhof will sit on the management committee overseeing the studio, but he insists that Peter Guber and Jon Peters will run Columbia.

It was Schulhof's own creativity that brought him into the entertainment industry. In 1971, after receiving a masters in physics from Cornell and a doctorate from Brandeis, he was working at Brookhaven National Laboratory when he met Clive Davis, then head of CBS Records. "He said I had a creative touch and asked me to come to CBS Records," says Schulhof, who became assistant to

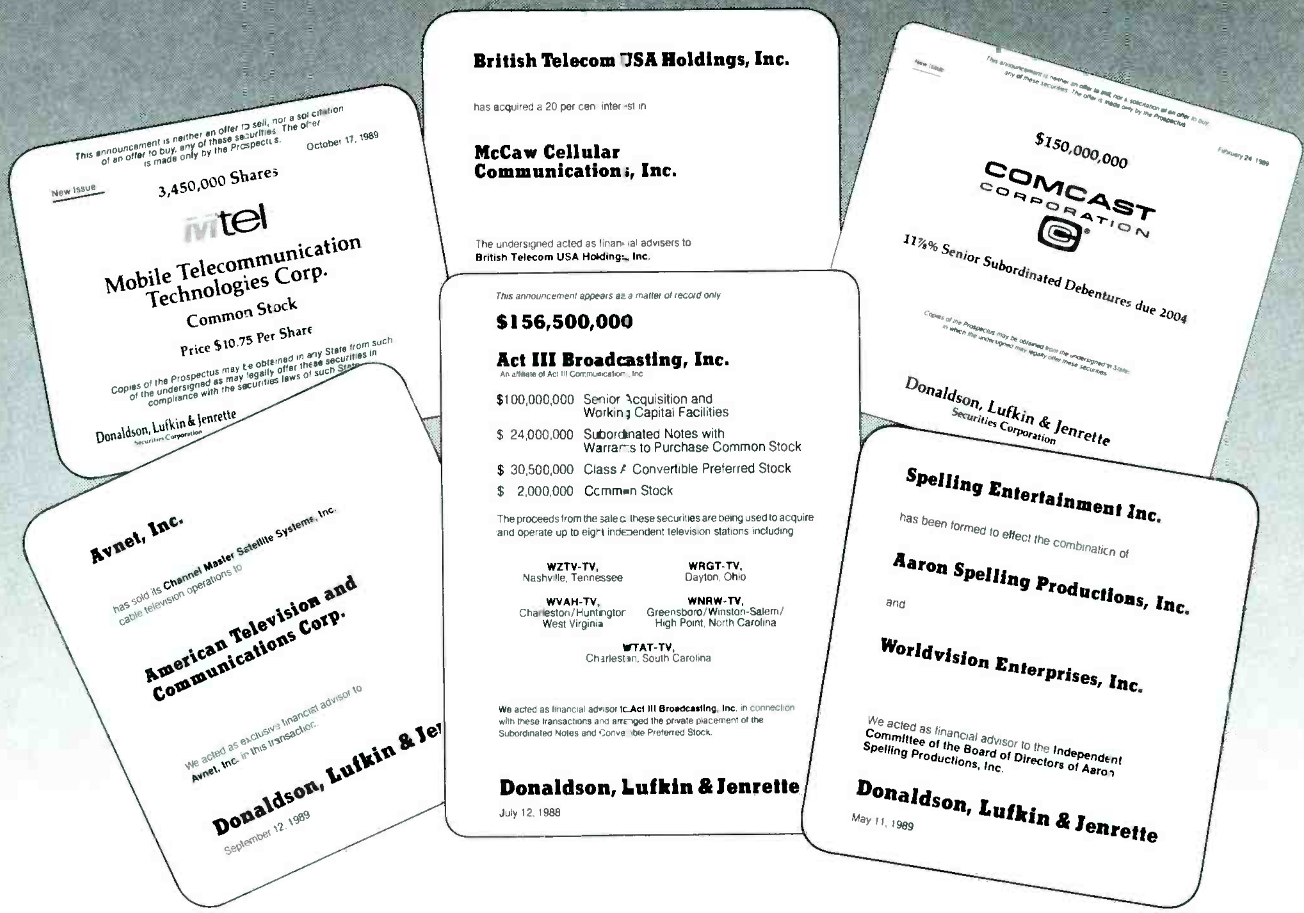


the v.p./operations.

In 1974, Schulhof became assistant to Sony's president. He helped build a speaker factory, revived the business equipment division, developed a magnetic tape sales unit and reorganized the service department. "I became a corporate troubleshooter," remembers Schulhof. "I was always handed the stuff nobody else wanted."

As Sony moves forward with Columbia, Schulhof says, "I see television and movies as highly complementary. The creative skills gained in one area complement the other." He isn't ruling out future TV-related acquisitions, but says, "We need time to digest this acquisition and for management to get thoroughly involved."

ALEX BEN BLOCK



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JOHN SIAS

John Sias' first task upon becoming president of the ABC Television Network Group in January 1986 was to shrink its waistline. With overhead cut and redundant management positions eliminated, Sias now must confront long-term threats to the network's audience and profitability. He is rethinking the relationship between network and stations, network and producer, even network and network.

To date, Sias has been at the forefront of creative thinking in the Big Three. During 1989, ABC initially proposed, to predictable protest, cutting $3.5 million

from the compensation it pays affiliates. Its subsequent plan to pay affiliates for airing network promo spots would pour $4 million back into affiliate coffers. The network also startled the industry with its announced intention to produce programming for rival NBC.

The 61-year-old Sias is by nature suited to the unconventional thinking the reconfigured TV landscape will require. Stories of the ex-paratrooper's eccentric behavior are legion, whether he's making incognito phone calls to employees or bringing boat horns, bird whistles, squirt guns and whoopee cushions to work. He also has a reputation for avoiding any personal publicity.

Sias was exec. v.p. of Capital Cities Communications and president of its publishing division before becoming television group president and exec. v.p. of Capital Cities/ABC. He joined Capital Cities in 1971 as president of Fairchild Publications from Metromedia, where he'd been president of sales and, later, group v.p.-television. "Every day was interesting, funny and challenging," says Jim Coppersmith, v.p. and g.m. of Boston ABC affil. WCVB, who worked for Sias at Metromedia. "At least here's a man who said, 'Let's stop looking at things in that traditional way.' "

Sias acknowledges that network shares will continue to crumble, but expects the Big Three to find ways to "survive profitably." As he told an audience at the National Academy of Cable Programming's annual fall luncheon in September, "I'm not panicking."

MARK SCHONE

TOM WOLZIEN

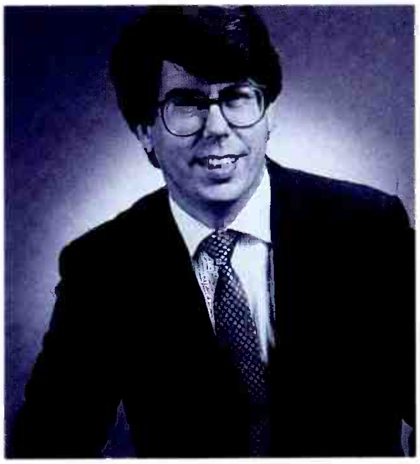
I have become one with Lotus," says Tom Wolzien, senior vice president for regional news of NBC Cable, the network's cable subsidiary. No, Wolzien, 42, isn't in the throes of some mystical experience. He's referring to hours spent crunching numbers with Lotus software to determine the how, why, where and when of setting up local cable newscasts in conjunction with NBC affiliates. It is Wolzien's mandate to make sure the broadcast giant is a serious player in local cable news.

"Intellectually, local cable news makes a lot of sense, but the economics of it are tough," says Wolzien. "The quality of your analysis and the partnerships you can strike will determine if it can be done or not."

Wolzien has what he feels is the right partner. NBC has a 50 percent stake in the sports and entertainment networks owned by Rainbow Program Enterprises, a subsidiary of Cablevision Systems Corp, the company that created News 12 Long Island. That pioneering 24-hour local cable news operation is Wolzien's model.

"What News 12 has done is put on a newscast with the look and feel of a traditional TV news broadcast, plus it's around the clock," says Wolzien. "They get into the community they cover with much greater depth than any of the New York stations can."

Wolzien is sure this style of hyperlocal news is the wave of the future. But



the advent of the local cable newscast will be gradual. Wolzien estimates that there are now 25 markets at most that can support a News 12. "You won't see us launch half-a-dozen, bang," he says. "It's not a cookie-cutter thing."

Labor costs are at the heart of what makes launching a local cable newscast expensive. But Wolzien believes there is a way to offset that expense. New low-priced equipment can do what used to be exclusively a high-priced job. "We're testing consumer cameras with 80 percent of the picture quality of the professional stuff at five to ten percent of the price," says Wolzien. Cheaper cameras, he continues, could mean more news crews—and dramatically improved coverage.

J. MAX ROBINS

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TRANSITIONS '89

Reshuffling The TV Decks

Between Time Warner and Sony-Columbia, 1989 proved to be the year of mega-mergers. A glimpse of what else happened.

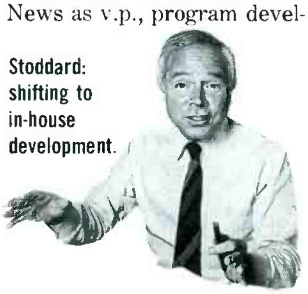
MOVERS

Ron Townsend, to president of the **Gannett Television Group**. Townsend, who had been Gannett flagship WUSA-TV's g.m. since 1986, takes over from **Cecil Walker**, who continues as president/CEO of Gannett Broadcasting. Replacing Townsend at WUSA is former station manager **Henry "Hank" Yaggi**.


Townsend: moving up at Gannett TV Group.

Dick Ebersol, to **president, NBC Sports** and **NBC News executive v.p.** for the ***Today*** show. Ebersol had been freelancing with *Later* and *Friday Night Videos* when he got the permanent position in the spring. As Sports president, Ebersol replaces **Arthur Watson**, who will stay on as **executive v.p.**

Veteran **ABC News** producer **Av Westin**, to **King World** as v.p. of reality-based programming. After leaving and then returning to ABC News as v.p., program development, Westin now spends most of his time working on *Inside Edition*.


Stoddard: shifting to in-house development.

In a flurry of anchor-shuffling in network news last spring, **Mary Alice Williams** moved from **CNN** to **NBC** and **CNBC**, **Connie Chung** defected from **NBC** to **CBS**, hosting ***Saturday Night with Connie Chung***, and ***60 Minutes*** correspondent **Diane Sawyer** headed to **ABC**, where she rakes a kinder, gentler muck with **Sam Donaldson** on ***PrimeTime Live***.

Former ABC programming chief **Brandon Stoddard** surprised many with his resignation, moving on to supervise in-house development. Even more surprising was his replacement, **Robert Iger**, previously executive v.p. at **ABC TV Network**.


From Turner to COMSAT: Bob Wussler.

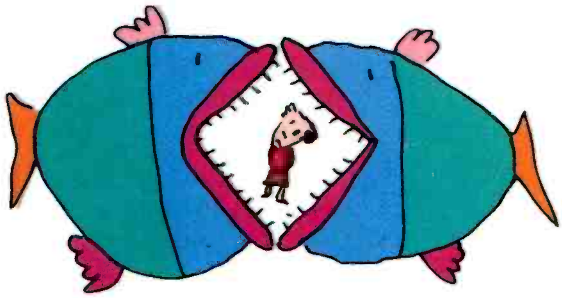
Former Missouri broadcaster and Commerce Department official **Alfred Sikes**, to **chairman** of the FCC, following previous chairman **Dennis Patrick**'s resignation in April. Also appointed to the commission were **Sherrie Marshall** and **Andrew Barrett**.

TBS senior executive v.p. **Robert Wussler**, to **COMSAT Video Enterprises**, as president. Wussler's duties at Turner Broadcasting were divided among **Gerry Hogan**, **Terence McGuirk** and **Paul Beckham**.

CBS Broadcast Group chairman **Gene Jankowski** left the network to get into station ownership with his own company, **Jankowski Communications Systems**. Jankowski is also a visiting professor at his alma mater, the University of Michigan.

James Joyella was selected as president of the **Television Bureau of Advertising**, after **William Moll** left the job to become **v.p.** and **g.m.** of **NBC** New York flagship **WNBC**.

ACQUISITIONS



March started with a bang when **Time Inc.** and **Warner Communications** announced an $18 billion merger of their operations. **Paramount Communications' Martin Davis** threw a wrench into the deal in June by trying to snatch Time for $10.7 billion, upped to $12.2 billion in July. Other investors sniffed around the Time Warner tree, but the original partners persevered.

In September, **Sony** announced its $3.4 billion acquisition of **Columbia Pictures Entertainment**. At press time, the proposed deal had not yet attracted any rival bids.

MGM/UA and **Qintex Australia** were involved in an on-again, off-again $1.5 billion merger attempt, which fell apart in October when Qintex failed to secure a $50 million letter of credit.

TCI angered anti-trust advocates when it purchased the remaining 25 percent of MSO **WestMarc Communications** for $206 million, and bought a 50 percent stake in **Viacom's Showtime Networks**.

DEMISES AND NEAR-DEMISES

The Morton Downey Jr. Show, having exhausted viewer and advertiser tolerance for confrontational interviewing, got the axe when 47

ILLUSTRATIONS BY BONNIE TIMMONS

of the 71 stations carrying it failed to renew their contracts. Downey himself resurfaced late in '89 with a new show on cable network **CNBC**.

One-hit wonder **Vestron** became parched for successes when its revenue stream from the film *Dirty Dancing* dried up. An attempt to turn the film's success into a CBS prime-time hit bombed, and the struggling indie had to lay off employees in June.

Qintex Entertainment, an affiliate of **Qintex Australia**, filed for protection under Chapter 11 of the U.S. Bankruptcy Code in October, shortly after the MGM/UA merger had been called off.

Surviving *Beyond Tomorrow*. The crew (l to r): Barry Nolan, Randy Meier, Dave Marash and Renee Chenault.

Beyond Tomorrow, a mid-season addition to the **Fox Network**'s lineup last spring, was pulled from its Saturday night spot. Another Fox program, ***Totally Hidden Video***, almost died before it debuted when it was discovered that the *Candid Camera*-like show had used actors in its premiere episode.

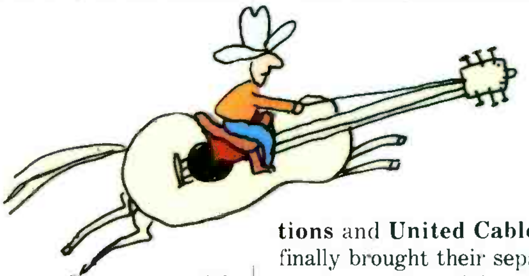
BIRTHS

Announced back in 1988, **CNBC** finally hit the cable wires on April 19, 1989, and has now amassed 13 million subscribers.

Viacom's MTV Networks and **Time Warner's HBO** are taking laughs very seriously: Both announced new basic comedy channels.

HBO's channel, called—surprise!—**The Comedy Channel**, debuted in November 1989 with input from ex-*USA Today* producer Steve Friedman. **MTV's** offering, which goes by the name **HA! The TV Comedy Network**, is scheduled to debut on April Fool's Day, 1990. Producer and three-network alumnus **Fred Silverman** will act as a consultant for the network.

Silverman also formed a production firm called the **Pierce/Silverman Company** with another TV veteran, **Fred Pierce**. They plan to produce programming for network, syndicated and/or cable TV.



Slightly off the beaten track are two more new cable channels announced in '89. **The Sci-Fi Channel**, proposed by a group of Florida entrepreneurs, wants to launch in late 1990, and boasts advisers like author **Isaac Asimov** and *Star Trek* creator **Gene Roddenberry**. **The Cowboy Television Network** features the wallet of country singer **Willie Nelson**, who had hoped to get it off the ground by year-end 1989.

United Artists Communications and **United Cable TV** finally brought their separate houses together, giving rise to **United Artists Entertainment** (of which **TCI** owns a 56-percent chunk).

And Spanish broadcaster **Telemundo** began to sign up cable systems in February 1989 to carry its 18-hour-a-day satellite feed. Hispanic competitors **Univision** and **Galavision/ECO** already air on cable systems.

Also on the Hispanic front, ratings company **A.C. Nielsen** set up an agreement with **Telemundo** and **Univision** to begin tracking Hispanic television ratings.

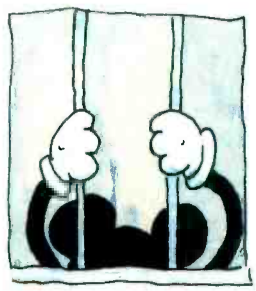
COURTING

In perfect time with the Time Warner merger, **Viacom** brought an anti-trust suit against **Time Inc.** and its subsidiaries, **HBO**, **ATC** and **Manhattan Cable TV.** Viacom charged them with "predatory and exclusionary acts" designed to "increase the costs of its rivals." However, Viacom's **Showtime** cable network debuted on Manhattan Cable on November 1, 1989.

Rockford's Garner gets his due.

Mickey Mouse may have to go to court. **The Walt Disney Co.** is being sued by two of its shareholders for having adopted a "poison pill" plan to avoid hostile takeovers in the thick of takeover rumors that surfaced in the summer of '89. The shareholders want Disney's officers and directors to take all the necessary steps to expose the company to the marketplace, and cooperate with anyone proposing a merger or other transaction.

James Garner, of *Rockford Files* fame and present-day meat industry spokesman, finally settled a long-pending suit against **MCA Inc.** Garner



alleged that he had negotiated 37.5 percent of the profits from *The Rockford Files* back in the '70s, and that by 1983 he hadn't seen a dime from **Universal TV.** Terms were not disclosed. MICHAEL BURGI

DEATHS

So long, Lucy.

Animator **Jay Ward**, best known for his characters **Rocky, Bullwinkle, Boris and Natasha**, died in October of kidney cancer. He was 69 years old.

Lucille Ball, the queen of TV comedy, died at 77. **CBS**, home to most of her shows, preempted regular scheduling the night she died to air a one-hour special on her life, hosted by anchor **Dan Rather**.

Williams left his mark.

Guy Williams, who played the lead role in ABC's *Zorro* and Professor Robinson in CBS's *Lost in Space*, died of an apparent heart attack at 65.

Dorothy Stimson Bullitt, the founder of Seattle-based station group **King Broadcasting**, died of heart failure in June at the age of 97.

Eighty-two-year-old cable pioneer **Edward Parsons**, who built and operated one of the first cable systems back in 1948, died of complications following surgery. The first station he received when he put up an antenna in 1948 was **Dorothy Bullitt's KING-TV** in Seattle.

Fran Allison, who with two puppet friends hosted the show *Kukla, Fran and Ollie*, died in Sherman Oaks, Calif., from bone marrow failure at 81. M.B.

Allison with two famous friends.

PHOTOGRAPHS OF GUY WILLIAMS AND FRAN ALLISON BY PHOTOFEST

TRADING

Going With The Cash Flow

In 1989, sales of stations and cable systems leveled off, as did the multiples buyers were willing to pay.

The deregulation-inspired enthusiasm for cable-system trading plateaued in 1989, both in the number of deals transacted and the prices paid. But industry experts attribute the slowdown more to a dwindling number of available properties than to any of the regulatory or competitive specters that have haunted cable in recent years.

Broadcast TV, on the other hand, spent much of 1989 coming to grips with a clouded future for its audience share and advertising growth. Accordingly, the prices buyers paid for stations were lower than historical values. Those sellers who've accepted the new reality sold stations; the rest have properties gathering dust on the block.

As reported by Paul Kagan Associates, 238 cable systems worth about $11.3 billion changed hands in the first eight months of 1989, compared to 312 deals worth about $12.8 billion for the same period in 1988. But while pricing growth may have slowed somewhat, prices paid measured both on a cash flow and per subscriber basis show no real signs of softening. An average subscriber sold in 1989 for $2,358, or 13 times 1990 cash flow, compared to 1988 when the average price per subscriber was $2,076, or about 12.1 times 1989 cash flow.

With fewer available systems, operators have become much more circumspect in their purchasing. "The market is a little more difficult. The days when you could put anything up for sale and get twelve-and-a-half times next year's cash flow regardless of how big, how complicated or how well managed, are over," says Steven Rattner, general partner, Lazard Freres & Co. "There is a bit of a two-tiered market developing where the strategically located, high-growth systems still fetch very high multiples, but the more mundane, perhaps more fully developed systems in less desirable areas often fetch lower multiples and sometimes fetch no multiples at all."

Big Deals of 1989

Cable Systems

BUYER	SELLER	SUBSCRIBERS	PRICE (Mil)
Intermedia Partners, TCI and others	Jack Kent Cooke	660,000	$1,600
Continental Cablevision	Limited Partnerships	Sale of partnerships	510
Comcast, Lenfest Communications and J. Bruce Llewellyn	New York Times Cable	162,000	420
Adelphia Communications	Centel Cable	125,000 and stock	310
ATC	Centel Cable	97,000	251

TV Stations

BUYER	SELLER	STATIONS / MARKETS	PRICE (Mil)
Narragansett Capital	Knight-Ridder	WPRI, Providence, RI WTKR, Norfolk, VA	$150
Paramount Communications	Salomon Brothers Holdings (TVX Broadcast Group)	WTXF, Philadelphia, PA WDCA, Washington, DC KTXH, Houston, TX KTXA, Dallas, TX WLFL, Raleigh / Durham, NC	140
NTG Inc.	Price Communications	WAPT, Jackson, MS WZZM, Grand Rapids, MI WSEE, Erie, PA WNAC, Providence, RI	120
Alabama Retirement Systems	Cosmos Broadcasting	WSFA, Montgomery, AL	70
Young Broadcasting	Knight-Ridder	WKRN, Nashville, TN	50

Source: Morgan Stanley & Co.

As long as the industry's financial backing remains strong, experts see no serious impediments to system trading. The outlook for station trading is less sure. Kagan figures for 1989 show a market on the rebound, with 51 stations changing hands for $1 billion from January to July, compared to 1988 year-long totals of 79 stations and $1.7 billion. The 1989 figures indicate a return to 1987's pace of 102 transactions, but a level far below 1986's 182. While deals such as Paramount's purchase of TVX Broadcast Group's five independents and Knight-Ridder's sale of its eight affiliates bolstered trading numbers, cash flow multiples paid were down for the third year in a row. But indies, surprisingly, have emerged as a ray of hope. "The independent television business came through its darkest hours with a much better knack for controlling costs and its ratings very much intact," says Kagan analyst Bruce Bishop Cheen.

The outlook for both station and system trading in 1990 hinges on what takes place in Washington in coming months. Cable, which survived August 1989's General Accounting Office report on basic rates, will have to undergo further scrutiny when the FCC releases its own long-awaited report on rates next fall. On the TV station side, the possibility of a capital gains tax cut may prove the necessary jump start to get the market up and running again.

PAUL NOGLOWS

0 to 33 in just 4 months.

Talk about shifting gears. In a recent four month period, KCPQ-TV in Seattle/Tacoma roared from a 0 to 33 per cent share of annual advertising budget with a local Mazda dealership.

The reason for the sudden acceleration? TV Conquest from Nielsen Station Index, the first desktop program to merge marketing data and tv ratings into a dynamic, powerful sales tool.

KCPQ used TV Conquest's target ratings to demonstrate the local audience's current and potential purchase patterns. That did the job.

And if it hadn't, they could have driven home their points effectively with the system's four color charts and maps.

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CHANNELS MAGAZINE

BIG 30

CORPORATE PLAYERS

The continuing consolidation of the TV industry has lowered our number of players to 30. Even so, they racked up $36.6 billion in projected electronic media revenue in 1989. The newly merged Time Warner took over the lead as the nation's largest media company. Edited by Michael Burgi.

HOW TO MAKE YOUR FALL 1990 OFF-NETWORK SITCOM SEASON A SURE HIT.

YOUR TARGET.

In the past, no matter how carefully you took aim at ratings success, picking syndication's next sitcom winner was at best hit and miss. Now, after studying over a dozen years of ratings, Warner Bros. is ready to help you strike your mark.

To work in syndication, a once-a-week prime time hit has to have an audience made up of the same type of people who watch sitcoms five days a week. That's the case with "ALF," "Head of the Class," "The Hogan Family" and "Perfect Strangers."

Our '90-'91 gallery of off-network comedies all have the perfect audience profile for on-target stripping. Even better, their audience comps line-up perfectly with those of syndication's longest running hits. So our network hits now will help you knock down big numbers in syndication for years to come.

Aiming to program a winning sitcom line-up? Let Warner Bros. help you focus your sights on sitcom success.

Funny Shows. Serious Business.

ALF

Head of the Class

The Hogan Family

Perfect Strangers

WARNER BROS.
DOMESTIC TELEVISION
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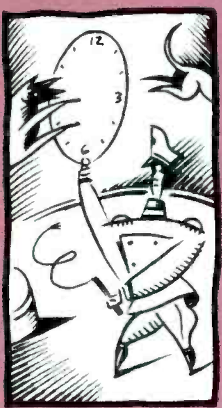
THE FOUR NETWORKS

Bang The Drum Loudly

Despite unprecedented hype, the Big Three's new season fell flat. The only real network comer is Fox.



The widening array of programming outlets is reflected in the breadth of the "Programmers" section. The cable networks, broadcasting's Big Three, independent stations, public television, Spanish-language television, pay-per-view, home video software, home shopping channels and the videotex industry share a common goal—capturing the attention of an increasingly sophisticated consumer with remote control at the ready. But viewing options are growing faster than the TV audience, inspiring fierce competition.

"Dream for a moment," suggests Howard Stringer, president of CBS, to attendees at a network affiliates meeting. "If you weren't a network, you too could celebrate the dizzy heights of 1.5 ratings with the unrestrained glee of USA Network. You too could run *Police Academy 5* ten times or *Rambo III* twenty times without ridicule. You too could run *Married With Children* back to back with *Lunch With Lady Chatterly*. You could rerun your reruns, and program a comedy network using words with no more than four letters."

Since the dismal 1988-89 season, when, handicapped by the writers' strike, the Big Three networks' prime-time share dipped to 67 percent, speeches like Stringer's have become commonplace. Hardly a week passes without Stringer or his boss, Laurence Tisch, bashing the Fox Network, cable and independent TV or calling for an end to restrictions on network involvement in production and syndication. Their NBC and ABC counterparts are just as quick to bray at the competition.

But the Big Three's aggressiveness goes beyond potshots at their enemies. To begin with, there's a new marketing activism. CBS and NBC, with K mart and Sears respectively, kicked off major promotional campaigns to tout their new seasons. All three networks made it more attractive for their affiliates to run program promos during prime access and increased budgets for advertising in media ranging from billboards to magazines.

The hype worked in getting viewers to sample the new season. "All three networks turned up the promotional heat before the first new show premiered," boasts George Schweitzer, CBS senior vice president of communications and an architect of the network's marketing effort. "Sampling of our premieres was up over 30 percent."

The new season was a month old and the Big Three were ready to declare victory. Upfront advertising buys had reached a record high at an estimated \$3.7 billion to \$4 billion and combined share was back above 70 percent. But the good news wasn't meant to last.

NBC received little help from any of its new programs. Warhorse superhits, such as *Cosby* and *Cheers*, continued to winningly chug along, but overall, more than a month into the new season the Peacock network's viewership was down about 10 percent. CBS's new offerings, such as *Major Dad* and *Island Son*, heavily hyped in the K mart promotions, started strong but took sizable drops after the first couple of weeks. ABC's *Chicken Soup*, despite heavy promotion and a huge boost from lead-in megahit *Roseanne*, also faltered after a strong debut. After six weeks, Big Three share had barely improved over the strike-ridden 1988-89 season.

With the 1989-90 season underway, there was one network that had something to crow about. The burgeoning Fox network added a third night of programming, offered its affiliates a strong movie package and readied plans for a kids package for the after-school daypart. Despite a network riddled with weak UHF affiliates, Fox's strategy of programming to a young audience attracted advertisers. "Fox has had tremendous success in reaching one of the hardest demographics, the 18 to 24-year-olds," says Steve Grubbs, director of national TV buying for BBDO.

Paul Bortz, president of the Denver-based consulting group Bortz & Co., talked to Fox before its launch. He now consults for ABC. He admits he was once "very skeptical" of the Fox network's chances for success. Not anymore. "Fox has been extremely innovative in its programming," he says. "Their success magnifies the ofttimes unwieldy nature of the networks."

Big Three executives like to boast that since the ownership changes and accompanying cutbacks, they are now much more agile players. They give lip service to the new emphasis on programming—quality, adventurous programming. But most of the new season's shows were lackluster at best, with nary a breakthrough quality hit on the order of *L.A. Law* or *The Wonder Years*.

ABC continues to lead the competition in attracting the 18-24 demographic. With a handful of shows that wins with that age group as well as baby-boomers,

ILLUSTRATIONS [LEFT] BY TIM LEWIS; [RIGHT] BY JAMES BENNETT such as *Roseanne*, *Wonder Years* and rookie *Doogie Howser, M.D.*, the network ended NBC's 68-week reign as the top-rated network, albeit with help from the first two games of the World Series. "We're trying to counterprogram," says Alan Wurtzel, ABC's senior v.p/marketing and research, explaining the network's "two tier" programming strategy. "Whether the prime appeal of the show is young or old, we want it to be the program in the time period the middle group, the baby-boomers, turn to. Baby-boomers are the swing audience—get them and you win the time period."

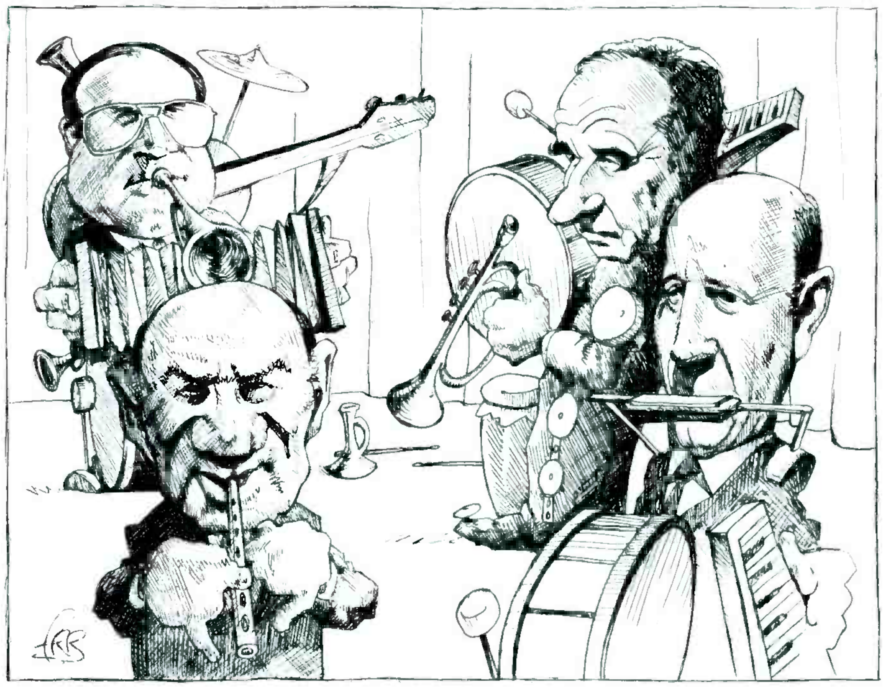
CBS is still the network that skews oldest and is making a concerted effort to convince advertisers that that is the audience they want. "We swear by the age wave—the 35-54 group," says Schweitzer. "That's where the bulge of the spenders are." Apart from its dominance on Sunday, anchored by geriatric favorites *60 Minutes* and *Murder She Wrote*, and a strong Monday lineup, CBS is adrift in prime time.

The networks all claim in-house production is a potential answer to programming anemia. At NBC, two of the five new series launched this fall, *Mancuso FBI* and *Hardball*, are products of NBC productions. ABC's rookie entertainment chief, Robert Iger, points to the formation of an in-house production company under the direction of his predecessor Brandon Stoddard as proof of his network's desire to develop more of its own product. Much of the heightened interest in production is in anticipation of the 1990 expiration of the financial interest and syndication (finsyn) rules. The networks are anxious to have product to cash in on the lucrative syndication market.

The Big Three have already offered glimpses of plans for the next decade. All three are talking about 52-week seasons to fend off competition. All are restructuring affiliate compensation plans, with payouts increasingly tied to affiliate performance.

ABC, with investments in ESPN, A&E and Lifetime; and NBC, with CNBC and investments in Cablevision networks, continue diversification into cable, pursuing an "if you can't beat'em, join'em" tack. "The old railroad companies went out of business because they made the mistake of thinking they were in the railroad business, not the transportation business," says PaineWebber analyst Alan Gottesman. "The Big Three networks can't make the same mistake. Their business isn't television, it's communications."

If CBS has heard that message, it must not agree. Its focus has been the network and little else. To bolster the network, CBS has made a huge investment in major sporting events. In 1990, the network will televise both baseball league championship series, the World Series, the Super Bowl, plus the NBA and NCAA basketball championships. It also acquired rights to the 1992 and 1994 Winter Olympics. But the centerpiece of CBS's "major events strategy" is a $1.06 billion four-year Major League



Baseball package, which includes All Star Games, League Championships and the World Series through 1993. Industry insiders estimate the network could lose as much as $75 million a year on the deal, but CBS executives are convinced that the promotional value alone of the baseball package could turn around the network.

"You can't confuse price and value," says Gottesman, explaining the logic behind the CBS baseball deal. "Tell me what sitcom you're sure people will want to watch in 1993. You can bet the World Series will bring people to the network in 1993."

The three networks may lumber along like the dinosaurs to whom they're often compared, but they're hardly on the verge of extinction. The consensus holds that while competition will continue to erode Big Three share—a study by Veronis, Suhler and Associates predicts a decline to about 53 percent by 1993—revenues will keep climbing well into the next decade. According to a study by Wilkofsky Gruen Associates, network ad revenues will rise from an estimated $10.55 billion next year to $15.1 billion in 1995.

"If it was such a bad business," says Gottesman, referring to those projections and the noise entertainment giants, such as Paramount, MCA and Tribune, are making about starting their own networks, "why would everybody want in?" J. MAX ROBINS

Slip Sliding Away

Network Shares:	ABC	CBS	NBC	Combined Total
'79-80	31	31	27	90
'80-81	29	30	26	85
'81-82	29	30	24	83
'82-83	28	29	24	81
'83-84	27	28	23	78
'84-85	24	27	26	77
'85-86	23	26	27	76
'86-87	22	25	28	75
'87-88	22	22	26	70
'88-89	21	20	26	67

Source: Nielsen Media Research.

SYNDICATION

Beating Them At Their Own Game

Tabloid TV couldn't top *Wheel*, so syndicators are going back to basics, hoping to find a hit in first-run.

The search for the next trend in syndication can stop at Peter Lund, president of Multimedia Entertainment. "I don't think there are any trends," said the distributor of *Donahue* and *Sally Jessy Raphael*, speaking at a syndication seminar sponsored by *Channels* and PaineWebber. "There are only stars and good ideas."

The 1989 syndication season was short on both counts, but syndicators remain optimistic. Many are developing game shows—fall 1990's trend, if there is one—convinced that events make this the right time for a big return to the genre. People see opportunity with talk shows and a return to first-run miniseries. And outside of the broadcast marketplace, syndication had a landmark year in '89. Cable crossed an important perceptual barrier, becoming a potential first stop for syndicators instead of a dumping ground and firming up the glutted market for feature films and off-network hours.

A new and unqualified hit in first-run syndication, however, is what syndicators most desperately want, and can't find. "The whole question of first-run is being reevaluated by stations and suppliers," says Dick Askin, president of TV distribution for Samuel Goldwyn Television. "There are very few shows making the grade, and it's going to affect stations' willingness to take a chance on new product."

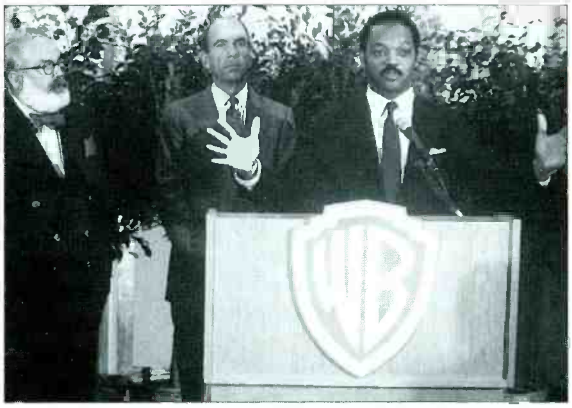
For the access time period in fall '89, stations placed their bets on tabloid magazine shows, such as Paramount's *Hard Copy*, to finally beat the reigning champ, King World's *Wheel of Fortune* (number one since February 1984). Stations tried new entries for daytime (*Joan Rivers*), early fringe (*Trial by Jury*) and late night (*After Hours*). But after just a few weeks on the air, most of the new shows were drawing fewer viewers than the shows they replaced.

"What we need in first-run is a success," says Joe Zaleski, Viacom domestic syndication president. "We haven't had a breakthrough program in first-run syndication since *Oprah*."

As syndicators prepared for the 1990 conventions and selling season, opinions differed on how aggressively stations would be looking to buy. But a number of executives say that especially in terms of first-run, stations must buy new shows. "They dropped 8-rated shows because they were unhappy, and they ended up with a 5," notes Mort Marcus, Buena Vista Television's senior vice president, sales. "All the reality-based magazines are splitting up the audience."

Marcus' cohort, Jamie Bennett, senior vice president of Buena Vista Productions, adds: "Buyers are beginning to look at game shows again because they're the number one and two rated shows in syndication. People are scratching their heads and saying, 'Alright, I know we've been flirting with other forms, but the most successful form of programming in the access and early fringe time periods has been game shows.' " Syndicators are shifting gears quickly from reality to games. Says Scott Carlin, Warner Bros. Domestic Distribution senior vice president, first-run, "The distribution community has risen to the challenge and is flush with game properties."

Not surprisingly, both these companies have game shows they'll be offering in 1990. Buena Vista is blending the reality and game genres with *The Challengers*, a topical Q&A hosted and executive-produced by Dick Clark that will tie about a third of the questions to current events. Warner Bros. picked a name out of the news, Donald Trump, and grafted it onto a BBC show called *Bob's Full House* to create *Trump Card*. "We've attached one of the most visible names in the world to our show," says Carlin, claiming that Warner's research shows most Americans favorably disposed toward Trump, the man, which could help *Trump*, the game. "There are no guarantees, but it has a much greater opportunity for bringing viewers to the show on day one," he says.


Jesse Jackson, now a partner of Warner's: Talk with a new hook.

With number one *Wheel* and number two *Jeopardy* dominating access, stations may be wary of competing head-to-head with a new, unproven game show. Of the new games that launch, most will probably start off in the afternoon, lying in wait for when *Wheel* seems vulnerable. "The court-show genre has pretty much had its run," notes Steve Goldman, executive vice president, Paramount Domestic Television, "so you'll see a move to an hour game-show block [in the afternoon]. Syndicators are looking at an opportunity for '91: You get your show out there in early fringe for fall '90, and if you get it working, stations will upgrade it to access, if not for fall '91 then for fall '92."

New talk shows were inevitable for 1990, but most rely on a hook other than conversation. Most notable is Warner's

Voices of America with Jesse Jackson, a weekly hour. "Regardless of where you think he is in the political spectrum, the man is a great communicator, and that's what TV is all about: putting eyeballs in front of the television set," says Carlin. Others under consideration include *Not for Men Only* from Viacom, with men talking about men for a female audience; *House Party with Steve Ducey*, the first offering from a Group W-NBC TV Stations joint effort; and *The Kelly and Gail Daytime Talk Show* from Tribune, with KNBC news anchor Kelly Lang and TV writer/producer Gail Parent, both talk-show rookies.

First-run miniseries, a popular independent TV showcase in the late '70s, are making a mini-comeback. The first wave of producers, notes Sheldon Cooper, president of Tribune Entertainment, left the business when they were unable to get good back-end prices. That left programming consortia such as Operation Prime Time to fill the gap, which they did successfully. But as the cost to stations rose and ratings diminished, "stations figured, why pay that money when they have feature films in their library that will do almost as well?" says Cooper.

Tribune is back with a miniseries package offered for a combination of barter and cash (barter for the first double run, cash reruns) that relies on international story lines to satisfy the foreign production partners. "These are major stories with major casting," says Cooper, "and they are going to be perceived as U.S. productions [by audiences] even though they aren't." Paramount will also have at least three barter miniseries on its menu for 1990, which Goldman says may or may not be sold as a package.

The chance for a better back end, due to increased foreign opportunities and domestic cable's coming of age, has led to the green light on projects that might not otherwise have been made—or made as well as they were. "We went in and really broke all the rules in syndicated animation with the amount of money we spent per episode" on *DuckTales* and *Chip 'n' Dale's Rescue Rangers*, says Buena Vista's Bennett. "We felt we had to, because of expectations concerning the Disney name. But we were allowed to because of the foreign marketplace." Adds Sheldon Cooper, "Today you have to look at all the aftermarkets and all the windows. You can't leave anything out anymore."

Syndicators disagree about how lucrative the international market for U.S. shows will prove long-term, but in 1989 all doubts about cable's potential for syndicators were shelved. "Cable is becoming what independent television was five years ago," says Paramount's Goldman. "They've had tremendous expansion, and they're becoming competitive players for product. They are a legitimate outlet as an alternative to over-the-air television."

During 1989, USA Network acquired *MacGyver* from Paramount (part-owner of USA) and Lifetime bought *L.A. Law* from Twentieth Century Fox. The broadcast aftermarket for hours has long been soft, but while stations had gotten used to the idea of off-net hours on cable, few were prepared for the deal between USA and Buena Vista Television announced in October. The deal takes 26 theatricals, including such films as *Three Men and a Baby* and *Dead Poets Society*, out of indies' reach and puts them onto USA after their pay cable and broadcast network runs. Weeks after the Buena Vista-USA deal, Orion sold a movie package to Lifetime including titles such as *Bull Durham*, *Mississippi Burning* and *Married to the Mob*.

"The USA buy is probably the most significant thing to happen in off-net syndication in the last couple of years," says Robert Turner, president of Orbis. While it's unclear whether cable is simply taking up the slack in a marketplace glutted with film packages or aggressively pursuing broadcast franchises, to syndicators, money is money. Their broadcast clients may moan about aiding the enemy, but as Joe Zaleski warns, "I don't know anybody on my side of the business who isn't going to sell their programs for the highest dollar. That's our responsibility."

Local cable is another matter. Despite the furor generated by ATC's Rochester, N.Y., local-origination channel, dubbed WGRC and programmed heavily with Warner Bros. material, most syndicators aren't paying much attention. "That's an ancillary, ancillary market as far as I'm concerned," says Goldwyn's Askin. Zaleski notes that the potential for sales to local cable has existed for the 22 years he's been in the business; such sales haven't happened because the LOs are too small to match local broadcasters' offers. But Zaleski notes that programming "trickles down" as it is exposed over the years, from the person who'll pay the most to the person who'll pay the least, and he says, "Ten years from now, when the local-origination channels are more sophisticated and better managed to sell the programs to advertisers, they will become a customer base." Bob Turner says Orbis has already made "small but not insignificant" sales of "B" product to local cable systems and interconnects, citing shows such as *Comedy Tonight*.

If the sales process is getting more complex, so are the sellers. Paramount now owns TVX Broadcast Group, and in September announced a joint venture with MCA to form Premier Advertiser Sales, handling the two companies' barter sales. Paramount's Goldman says the move was made to "help ensure a stream of product" for a barter-sales force. "While we've been successful the last couple of years, with *Entertainment Tonight*, *Star Trek* and *Arsenio*," he says, "that could go bad on us tomorrow." But word quickly spread that Paramount and MCA were looking to form a fifth network, using the TVX stations and MCA's WWOR New York as a base. A formal network is unlikely anytime soon, but any alliance of two majors will mean fewer sales opportunities for smaller syndicators.

JOHN FLINN

The Cost of Syndication

Broadcast Year	Expenditures on Syndicated Programs ($ MIL) Affiliates	Independents	Expenditure Growth Affiliates	Independents	Share of Station Revenue Spent on Syndicated Programs Affiliates	Independents
1981-82	$350	$410			6.5%	27.6%
1982-83	370	480	5.7%	17.1%	6.2	27.1
1983-84	400	560	8.1	16.7	5.9	27.1
1984-85	450	680	12.5	21.4	5.9	28.7
1985-86	500	800	11.1	17.6	6.0	29.5
1986-87	610	840	22.0	5.0	6.9	28.3
1987-88	750	850	23.0	1.2	7.9	26.4

Source: Wilkofsky Gruen Associates (data from INTV, McCann-Erickson, Paul Kagan Associates and Wilkofsky Gruen Associates).

CABLE NETWORKS

Who's Picking Up the Check?

Tempers rise as networks and operators argue over who'll pay for the quality programming both agree cable needs.

An undercurrent of tension is running through the cable industry as it moves into the new decade. Disputes over rates, programming content and channel capacity have frayed relationships between cable networks and multiple system operators. That friction has, in turn, sparked a struggle between broad-based and narrowcast channels for MSO dollars and channel space.

These problems will continue to rankle cablecasters in 1990, just as surely as they will be envied by other media for their continued growth in penetration, advertising and viewing. "A critical transition phrase" has begun in the industry, asserts Edward Bennett, president of VH-1.

MSO resistance to rate hikes follows a period of about three years when operators forked over hefty fee increases in an effort to raise the quality of cable programming. "Operators are focusing on cost containment," explains Bennett. "And they're saying, 'I'd like continued programming improvements, but I don't want to pay for them anymore.' "

The growing emphasis on program costs is largely a result of political and consumer pressure on operators to cut back on subscriber-fee increases. Sub fees have grown by double-digit percentages in recent years. Thomas Waldrop, president and chief executive of the Media General Cable of Fairfax system in Virginia, is among the many operators who say they're limiting subscriber fee increases to the level of inflation for the foreseeable future. And, he adds, "If the programmers continue to be persistent in looking at the 25 to 100 percent rate increases they've shown in the last [few] years, you'll see a lot of toughness on the part of operators."

Narrowcast cable services fear that general-interest networks will gobble up the pennies-per-subscriber increases they need to survive. The narrowcasters are afraid that broad-based, "horizontal" nets, such as USA, will demand large fee increases to fund mass-appeal shows. "If the strategy is to come up with networks to compete with the broadcast networks," Bennett contends, "we're going to start looking like the dinosaurs we're trying to replace."

Kay Koplovitz, however, president and chief executive of the broad-based USA Network, says that the original program efforts the subscriber fees have funded "are having a major impact on the way people are viewing cable." The premieres of some of her network's original movies have attracted as high as a 33 share of all cable homes.

In its quest for high-profile programming, USA bought aggressively in the syndication market this year, snagging a Touchstone Pictures movie package from Buena Vista Television prior to a barter syndication window. Another programming milestone was SportsChannel America's agreement with NBC to air portions of the 1992 Summer Olympics on pay-per-view. TNT signed a pact with CBS to carry some of the '92 and '94 Winter Olympics.

While financial conflicts were escalating, confrontations over program content also caught fire. The most heated—and prolonged—is USA's legal battle with Jones Intercable, which dumped USA in '88. The MSO claimed its actions were a response to an excess of violence and reruns on the network, not to USA's plans for a fee hike. In January, a federal court denied USA's request for reinstatement, but the network continued to seek monetary damages.

Cox Cable Communications started another switchout debate when it replaced the Financial News Network with NBC's Consumer News and Business Channel because it considered the latter's programming more attractive to viewers. Several grass-roots organizations formed in Cox markets in a futile effort to get FNN reinstated.

Cable's strained relationship with its public was accentuated when Cablevision Systems kept the Madison Square Garden Network off its systems in the New York City area for several months, refusing to give in to MSGN's request for a price hike and a berth on a lower-priced network tier. The companies resolved the dispute, but only after a consumer backlash, considerable press coverage and a proposal in the New

ILLUSTRATION BY MICHAEL DONATO

York state legislature that would increase community control over channel lineups. Once Cablevision had solved its MSG problems, ESPN sued the MSO for making it part of an optional tier in some New York systems.

Despite the risks of consumer and political backlash, "there's no question systems have to drop channels periodically," says Larry Gerbrandt, a senior analyst at Paul Kagan Associates. "What's interesting is that while consumers are used to seeing favorite programs canceled, they feel much more proprietary about channel switchouts, especially if they feel they're paying for that channel."

Problems with switchouts and the channel-capacity crunch are two of the reasons operators are hesitating to sign affiliation agreements with two new comedy channels. Choosing sides between two of the industry's most powerful programmers is another. HBO launched The Comedy Channel in November; MTV Networks' HA! The TV Comedy Network is expected in the spring.

In recent years, says Kagan's Gerbrandt, about two "major" cable networks have launched successfully each year. And despite increasingly tight channel space, he says it's difficult to conceive a year when at least one new service won't succeed.

Cox Cable's Ajit Dalvi, senior vice president of marketing and programming, expects rebuilding to ease the problem of channel capacity in 1991. And he anticipates a return to a tiered programming environment within a few years so that networks can pass on network costs to consumers more easily. However, he adds, "I would like to see the larger services have a greater emphasis on getting revenue increases from advertising sales."

Indeed, Cabletelevision Advertising Bureau president Bob Alter expects total cable ad revenue to soar to the $2 billion level in 1989, beyond the projections of Paul Kagan Associates. About $1.4 billion of that, says Alter, will come from the national networks, up from $1 billion in 1988. Koplovitz predicts that cable cost per thousand (CPM) rates, now approximately 50 percent of broadcast network rates, will reach the syndication industry's level (70 to 80 percent of Big Three CPMs) in about two years.

Those blue-sky projections are largely the result of cable's rising penetration—56.4 percent of all TV households according to A.C. Nielsen's July figures—as well as ratings increases. The CAB's analysis of A.C. Nielsen data for the October 1988 through August 1989 period shows weekly basic cable ratings up 14 percent among cable households, compared with the same period a year ago.

Dennis McAlpine, a senior vice president at Oppenheimer Inc., predicts that as the number of cable nets rises, and more blockbuster programs appear on broad-based networks, "we're going to see cannibalizing of ratings among cable networks. At some point you start to take viewers away from a TBS if you become a [high-profile network like] USA."

As new program services sign on and the dial fragments, there'll be more and more networks asking operators for money to pay for programming. If MSOs can't raise rates, where will the money come from for new channels? Advertising's surging contribution to cable's bottom line will help, but will each of the 30-plus networks earning a 2 rating really earn much ad money?

"The problem now is basic networks have got to get to 20-25 million subscribers to make their business plans work," says Larry Gerbrandt. "I wouldn't be surprised to see a return to the mini-pays [commercial-free, specialized networks] sold to consumers a la carte."

JANET STILSON

Graying Pay Goes to Market

Home Box Office won't be 20 years old until 1992, but the nation's largest pay channel and its smaller rival, Showtime, have been showing signs of age since the mid-1980s. The pay networks are fighting off the effects of maturity with vastly increased marketing efforts.

In 1985, HBO pioneered the seasonal campaign concept, complete with heavy direct marketing efforts and discount offers to subscribers. But now, says John Billock, senior vice president of marketing, "[HBO] is adding another layer to the marketing equation." In 1989-90, the network is spending $50 million on an image campaign, placing ads on broadcast and basic cable networks. The campaign, begun in October 1989, will reportedly swell HBO's yearly marketing budget to about $130 million, way beyond its marketing expenditures in recent years.

While Showtime Networks is not delving into image or brand marketing, it has freed itself from the marketing doldrums of the mid-1980s, increasing its budget about $20 million in 1989 over 1987, more than doubling it, according to Matthew Blank, SN's executive vice president of marketing.

Not only has SN targeted HBO's share of the pay category with two years of ads emphasizing Showtime's exclusive movies, but they've challenged HBO and its parent company, Time Warner, in court. Part of that effort is aimed at preventing HBO from making contract stipulations that block operators from promoting Showtime while taking part in HBO's massive marketing campaigns.

Tele-Communications Inc.'s recent acquisition of half of Showtime Networks will provide marketing as well as carriage benefits for the pay channels. SN chairman and chief executive Tony Cox says that one of the key elements of the $225 million deal is the aggressive marketing expected from the nation's largest MSO. TCI owns or has partial interest in systems serving about 23 percent of all basic subs.

The stepped-up efforts come at a time when the pay nets are making some subscriber gains, but aren't matching their late '70s/early '80s performances, when annual increases of 2 million customers for HBO or Showtime were not uncommon. But projected '89 numbers show improvement over the mid-1980s, when pay networks hit a plateau.

Paul Kagan Associates estimates that The Disney Channel will end 1989 with 4.8 million subscribers, up from TDC's own count of 4.3 million at year-end 1988. Showtime and The Movie Channel's combined tally is expected to hit 10.4 million by year-end '89, a jump of 800,000 subs from '88. HBO and Cinemax's 23 million-plus count for 1988 is estimated at 24.1 million for year-end 1989.

Other numbers are less heartening. The pay nets' 24-hour ratings have slipped 6 percent, more even than affiliate stations (5 percent) among cable homes. That's according to the Cabletelevision Advertising Bureau's analysis of weekly Nielsen data from October 1988 through August 1989, compared with previous years.

Jim Miller, SN's senior vice president of program planning and acquisition, can't confirm those numbers, but says that even if they are valid, the decline is "almost insignificant." Showtime's own analysis shows an 8 percent ratings climb over the same period (among Showtime households only). HBO, which has publicly stated that its ratings have declined in some month-to-month comparisons, is counting on the new marketing campaign to help boost viewership, an HBO spokesman says. J.S.

Basic Cable Networks

Network/Subscribers	Owner/Headquarters/Launch Date	Content
ESPN 53.4 million	Capital Cities / ABC, RJR Nabisco Bristol, CT, Sept. 1979	24-hour professional and college sports coverage (scrambled)
CNN (Cable News Network) 52 million	Turner Broadcasting System (The following companies own a portion of Turner Broadcasting: TCI, Time Warner, United Cable and 14 other MSOs) Atlanta, June 1980	24-hour in-depth news (scrambled)
USA Network 49.7 million	Paramount Comm., MCA New York, Apr. 1980	Broad-based entertainment and sports
Nickelodeon 48.5 million	Viacom Int.'l Inc. New York, Apr. 1979	Children's programming (scrambled)
Nick at Nite 48.5 million	Viacom Int.'l Inc. New York, Aug. 1985	Classic television programming
MTV 48.2 million	Viacom Int.'l Inc. New York, Aug. 1981	Music videos, game shows, interviews, concerts
TNN (The Nashville Network) 48 million	Oklahoma Publishing Co. Nashville, TN, Mar. 1983	Original concert specials, sports, live variety and classic Westerns
The Family Channel 47.5 million	Christian Broadcasting Network Virginia Beach, VA, Apr. 1977	Family entertainment, comedies, Westerns, children's shows, documentaries, religious and inspirational shows
C-SPAN 46.6 million	(Non-profit) Cable-Satellite Public Affairs Network Washington, DC, Mar. 1979	Live coverage of U.S. House of Representatives, public affairs programs, congressional hearings
The Discovery Channel 45.6 million	Cox Cable, Newhouse Broadcasting, United Artists, TCI Landover, MD, June 1985	Documentaries covering nature, history, science / technology, world adventure
Lifetime 45 million	Cap Cities / ABC, Hearst, Viacom New York, Feb. 1984	Entertainment and educational programming for women
Arts & Entertainment 41 million	Hearst, Cap Cities / ABC, NBC New York, Feb. 1984	Comedy, drama, documentaries, performing arts
The Weather Channel 39.2 million	Landmark Communications Atlanta, May 1982	Weather forecasts and features
CNN Headline News 38 million	Turner Broadcasting System (see CNN for part-owners) Atlanta, June 1980	24-hour news in brief (scrambled)
FNN (Financial News Network) 33 million	FNN Inc., Infotechnology Inc. New York, Nov. 1981	Business and financial news
TNT (Turner Network Television) 32.8 million	Turner Broadcasting System (see CNN for part-owners) Atlanta, Oct. 1988	24-hour entertainment programming and sports
VH-1 31.8 million	Viacom Int.'l Inc. New York, Jan. 1985	24-hour music videos for the 24-49 year old audience
American Movie Classics 23 million	Cablevision Systems, NBC Woodbury, NY, Oct. 1984	Hollywood classics from the '30s to '70s (scrambled)
BET (Black Entertainment Television) 23 million	Robert L. Johnson, TCI, HBO, Great American Communications Washington, DC, Jan. 1980	Music, sports, news, public affairs, classic movies and specials
FNN Sports 20.5 million	FNN Inc., Infotechnology Inc. New York, Apr. 1985	Live sporting events, news, updates, recaps, and specialty shows
C-SPAN II 18.3 million	Cable-Satellite Public Affairs Network Washington, DC, Mar. 1979	Live coverage of U.S. Senate and congressional hearings, public affairs
The Learning Channel 16 million	(Non-profit) American Community Service Network, Infotechnology Inc. Rosslyn, VA, Oct. 1980	Adult educational and informational programming
EWTN (Eternal Word Television Network) 14 million	(Non-profit, supported by donations) Birmingham, AL, Aug. 1981	Family programming with a Catholic point of view
The Silent Network 13.6 million	Sheldon Aultfield, Silent Network Los Angeles, Jan. 1984	Entertainment and information with sign language, captions, sound
CNBC 13 million	Cablevision Systems, NBC Fort Lee, NJ, Apr. 1989	Consumer, financial, and market information 24 hours a day.
Prevue Guide 12.5 million	United Video Tulsa, OK, Jan. 1988	Cable programming schedule
The Travel Channel 12 million	Trans World Airlines Marketing New York, Feb. 1987	24-hour travel information, entertainment, features
Trinity Broadcasting Network 11.7 million	TBN Westminister, CO, Apr. 1984	Religious programming, including talk shows, exercise, music, health, teaching, and children's programs
Country Music Television 10 million	James William Guercio Robert F.X. Sillerman Nashville, TN, Mar. 1983	24-hour country music and interview clips
NuStar 10 million	Lenfest Comm. West Chester, PA, Jan. 1989	Cross-channel tune-in promotion of basic cable networks
ACTS-Satellite Network 9.5 million	Southern Baptist Convention Fort Worth, TX, June 1984	Family, inspirational (30% religious, 70% entertainment and information)
SportsChannel America 8.5 million	Cablevision Systems, NBC Woodbury, NY, Jan. 1989	Live sporting events and news

Network/Subscribers	Owner/Headquarters/Launch Date	Content
The Nostalgia Channel 6.1 million	Nostalgia Network Inc. Dallas, TX, May 1985	Classic movies, TV programs and music
Univision 5.2 million	Hallmark Cards Kansas City, Jan. 1987	Broad-based Spanish-language programming
SNN (Sports News Network) 5 million	Mizlou Communications Co., New York, Nov. 1989	24-hour sports news, information and programming
EPG (Electronic Program Guide) 4.7 million	United Video Tulsa, OK, Jan. 1980	Cable programming guide
VISN (Vision Interfaith Satellite Network) 4.5 million	National Interfaith Cable Coalition Denver, CO, Sept. 1988	Religious and "values oriented" programming
FamilyNet 3.7 million	(Non-profit) Liberty Broadcasting Network, Old Time Gospel Hour Forest, VA, Apr. 1988	Family entertainment with original programming, sports and movies
AP Sports Plus 3.5 million	AP / TMS Information Services, Tribune Co. Washington, DC, May 1985	Graphically enhanced sports information with ticker
Galavision / ECO 3.3 million	Univisa Los Angeles, Oct. 1979	Spanish-speaking news; on Sundays only, movies and sports
Bravo 3 million	Cablevision Systems, NBC, TCI Woodbury, NY, Oct. 1984	American independent and international films, performing arts specials
AP News Plus 2.7 million	AP / TMS Information Services, Tribune Co. Washington, DC, Dec. 1984	Text and color graphics with world, national, sports, weather, and business news
The Information Channel 2.5 million	NuCable Resources Corp. Washington, DC, May 1989	News, weather, sports, plus features on the home, money and lifestyles
AP Business Plus 2 million	AP / TMS Information Services, Tribune Co. Washington, DC, Dec. 1986	Graphically enhanced business and financial news with a 15-minute delayed NYSE ticker
Cable SportsTracker 1.2 million	United Video Tulsa, OK, Nov. 1984	Alphanumeric text service to sporting news, schedules and updated scores
EPG, Jr. 350,000	United Video Tulsa, OK, Jan. 1986	Cable programming guide

Superstations

Superstation/Subscribers	Owner/Headquarters/Launch Date (Carrier)	Content
WTBS 50.5 million	Turner Broadcasting System (see CNN for part-owners) Atlanta, Dec. 1976 (Tempo Enterprises)	Family programming, classic movies, original sitcoms and sports
WGN 29 million	Tribune Co., Chicago Oct. 1978 (United Video)	Children's and syndicated programming (scrambled)
WWOR 12.2 million	MCA, New York, Apr. 1979 (Eastern Microwave)	Movies, sports, children's programming (scrambled)
WPIX 9.9 million	Tribune Co., New York June 1984 (United Video)	News, entertainment, sports, children's programs, movies (scrambled)
KTLA 4.9 million	Tribune Co., Los Angeles April 1984 (United Video)	Movies, sports, news and specials
KTVT 3.6 million	Tribune Co., Dallas July 1984 (United Video)	Family entertainment, sports programming, newsbreaks (scrambled)
WSBK 356,000	Gillett Communications Boston, Feb. 1988 (Eastern Microwave)	24-hour programming, including movies, specials, business reports, variety shows, children's programs and live sporting events

Research by Matthew Natale and Marcy Lerner.

Pay Cable Networks

Network/Subscribers	Owner/Headquarters/Launch Date	Content
HBO 17 Million	Time Warner Inc. New York, Nov. 1972	Movies, variety, sports, specials, documentaries, children's programming
Showtime 6.7 Million	Viacom Int.'l Inc., TCI New York, July 1980	Movies, variety, comedy specials, Broadway adaptions
Cinemax 6 Million	Time Warner Inc. New York, Aug. 1980	Movies, variety, sports, specials, documentaries, children's programming
The Disney Channel 4.3 Million	Walt Disney Co. Burbank, CA, Apr. 1983	Original feature films, specials, series, classic Hollywood movies and Disney cartoons
The Movie Channel 2.7 Million	Viacom Int.'l Inc., TCI New York, Dec. 1980	Movies, variety, comedy specials, documentaries, children's programming

HOME SHOPPING/VIDEOTEX

Closing Up Shop, Setting Up Shop

Tomorrow's videotex services may grow in the cracks appearing in the home shopping industry.

The pitchman on television claims, as ever, that life will be better with one more acquisition, whether a necklace, a set of cookware, or even an insurance policy or packaged vacation. But the other pitch from home shopping channels, aimed at investors, stockholders and analysts, is muted now, as reality overtakes what was once the entrepreneurial equivalent of cubic zirconium.

Of the industry leaders during 1989, QVC and CVN joined to form a megafirm for cable home shopping. Home Shopping Network Inc., which has strong broadcast as well as cable distribution, struggled to overcome a black eye administered by a Florida court. These firms, and J.C. Penney's Shop Television Network, are not only the front rank, they may be the only remaining rank of shop-at-home services. A welter of regional channels faded to black. The Financial News Network disbanded its Telshop, The Fashion Channel emerged from bankruptcy to be taken over by CVN, and Sky Merchant was acquired by HSN. The industry that survives is sturdier, smaller and less flashy, with annual sales under $2 billion.

At a much earlier point in its life cycle is the sale of information over interactive channels, generally known as videotex. Because the customer can vary selections "on demand," these services are potentially more powerful than shopping channels that have the look and feel of audience participation, but can move only one predetermined item at a time. "We do not consider videotex services to be direct competitors," says Kathy Jurado, HSN's vice president for corporate communications. "We serve a dual purpose—shopping with entertainment value—while they are more of an information service, a 'still life' service."

Videotex boosters, however, argue that videotex could supplant home shopping channels. Whether videotex services can compete for a mass market hinges on making them if not entertaining, then at least convenient and affordable. Last year the effort to test this possibility intensified, with the launch of significant projects sponsored by a group of new, cash-rich developers, the regional telephone companies.

While much larger than the videotex industry, shopping channels, as just one component of the $1.6 trillion business of annual retail sales, are still small and vulnerable. They survive by securing broad-based and attractive product lines, and by battling for broadcast and cable carriage.

The industry leader, HSN, shored up its distribution two years ago, purchasing 11 independent UHF stations for about $240 million. It continues to distribute a 24-hour cable shopping channel, as well as one for broadcast stations. HSN weathered a plunge in its stock price from $38 to its current $4 or $5. Its suit in state court against GTE and General Telephone of Florida, alleging that a bad telephone system had cost HSN $500 million in revenues, ended in disaster in 1989. The complaint was rejected and the jury awarded a $100 million counterclaim to GTE for trade libel. As the *Field Guide* went to press, the companies reached a settlement. HSN's reported loss in the quarter ending May 31 was $5.9 million, or about the same as its concurrent legal expenses.

In March 1989, Shop Television Network turned over the reins to J.C. Penney Co., which will upgrade the channel's merchandise, and use the channel as an adjunct to its catalog division. The merger of QVC and CVN, announced in June, guarantees effective cable distribution by extension of an affiliation agreement between CVN and Tele-Communications Inc., the nation's largest MSO. Other cable systems, many of them stockholders, are being asked to extend affiliations, according to Neil Grabell, QVC's senior vice president and general counsel, with the aim of securing distribution through 2004.

Videotex services lack the mass audience of shopping channels and appear, at first glance, to be a wholly distinct line of business. "Watching a shopping channel on the family TV—is that shopping, or entertainment?" asks Bill Seelinger, whose *Seelinger Letter* covers videotex businesses. He notes that hardly any major videotex service, anywhere in the world, uses the home TV set as the access point. Instead, like Compuserve in the U.S., they interact via the user's personal computer, or a separate terminal provided to the user.

"Staging a total, complete interactive experience that leads to a result, such as buying something, is very difficult," admits Seelinger. He contends, however, that shopping channels and videotex will eventually merge. But truly interactive electronic systems are not "like" anything else, which makes the development of shopping channel replacements arduous. Believing they were like newspapers, Knight-Ridder, Times-Mirror Co. and others tried to get services rolling, but by 1986 had given up after major losses. And cable firms have barely toyed with teletext.

Prodigy, a joint venture of Sears and IBM, may be the best known videotex prototype, and certainly ranks as the most expensive, with more than $600 million invested so far. It communicates with PC users through their existing terminals, charging a flat rate of $9.95 per month. That Prodigy has not perfected a friendly form of home shopping may be seen from the comments made by power users, writers and computer programmers on a computer bulletin board, the WELL (Whole Earth 'lectronic Link). In "Prodigy (Part X)," the tenth volume of this ongoing, unsolicited critique, one expert says, "other than being slower than molasses in January, it's not bad." Another complains that, with so much marketing muscle being concentrated on only 100,000 users, a Prodigy subscriber ends up deluged with junk mail. Several fear that the system is too cumbersome to succeed. Says Tom Mandel of think tank SRI International, "Everytime I look at it (once a month or so, now) I think, 'Jeez, how can they be blowing it this badly.' . . . And if I'm right, it's going to be a major disaster for the intermediate future for this medium, since a lot of players will be extremely gun-shy to throw more good money after all these hundreds of millions gone bad." Of course, Prodigy has not failed yet, and the Sears-IBM pair has the resources to improve it.

Gaining acceptance beyond the small minority of the populace who are at ease working before their own terminals requires design of a positive interactive "experience." Nintendo of America is in the process of creating an on-line services division, hoping that 20 million or so game consoles and computers could serve as the base of a videotex service. Advanced Interactive Video, of Columbus, Ohio, thinks acceptance will be easier at the point-of-purchase than in the home. It's planning a network of in-store videos where the customer converses with a terminal loaded with promotional material, and is rewarded with a fistful of coupons.

During the past year, regional Bells like BellSouth and Southwestern Bell and independent telcos have inaugurated "gateway" services that link the home or office by telephone line to an array of interactive information menus. By the terms of the AT&T divestiture, the former Bell operating companies may not devise their own program offerings or information services, but nearly all of them harbor the thought that this barrier will erode in time.

In July the FCC waived its rule forbidding common ownership of local cable and telephone to permit GTE Telephone Operations to construct an experimental high-capacity network in concert with local cable companies. The location is Cerritos, a suburb of Los Angeles where GTE already has the telephone system. Homes will be connected by a coaxial cable network and a fiber optic network. They also will receive normal twin-pair telephone wire, enabling a straight-up comparative test of all three interconnection methods.

On the fiber network, a group of 100 homes will be receiving television and telephone service over the same channel. A handful of homes will be able to call up "video on demand" from a menu, and relay full video to other participating homes. On the coaxial network, as many as 30 movies will be offered for pay-per-view, an on-line rival to the corner video store. Cerritos also will be the final test site of GTE Main Street, an interactive shopping service that has already seen limited use in Boston. It features 24-hour ability to preview and order products from a broad, generally upscale selection. Like other videotex systems, its features include stock quotes, games and a bulletin board.

It's an open question whether telcos or cable companies, accustomed to running utilities, can make the leap to devising wholly new videotex services, preferably lovable ones. Videotex terminals are growing at the rate of 13.5 percent per year, according to Michael Atkin, director of program development and planning for the Information Industry Association in Washington, D.C. "The industry will become independent of any single medium [of distribution]," he says, "as it builds a public appetite for information."

That this will take time is indicated by a recent about-face by California's regional telephone giant, Pacific Telesis Group. Despite a bountiful home base of high-tech companies, the firm announced last October that it was shelving plans to introduce its own much-ballyhooed gateway in San Francisco in 1990. Instead, it plans to concentrate on "audiotex" services—the familiar, unadventurous 1-900 exchanges it offers—in competition with AT&T and others. MICHAEL COUZENS

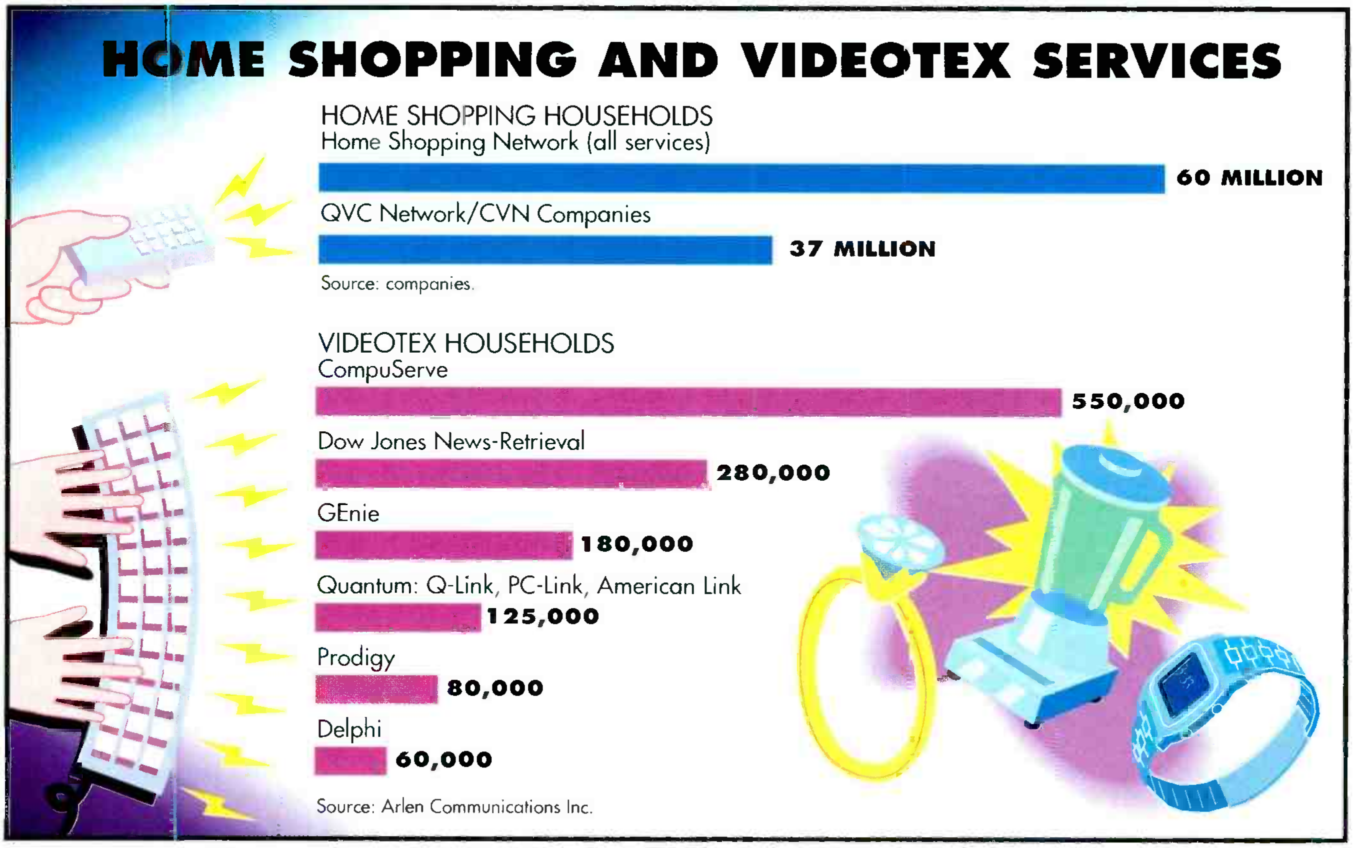


ILLUSTRATION BY JIM LUDTKE

PAY-PER-VIEW

Swinging For The Fences?

The pay-per-view industry has a mild identity crisis. Is it a singles hitter or a home-run threat?

The pay-per-view business seems to have a split personality. When a Leonard/Hearns fight brings in $25 million, the cable industry looks like it has Babe Ruth in its lineup. But when the movie studios increase their windows between home video and PPV premieres, giving home video a 45 and 60 day lead, the business looks as anemic as 1962 Met Choo Choo Coleman batting against Sandy Koufax.

The truth leans toward the legendary Yankee slugger. Once operators get the hang of promoting and utilizing the young technology, pay-per-view will be a billion-dollar business. Paul Kagan Associates estimates that total pay-per-view yearly revenue will increase from $348 million this year to $1.88 billion in 1994.

"Cable systems are at the beginning of the pay-per-view learning curve," says Lee Clayton, vice president of consultant Bortz & Co. "Systems with several years of experience are performing at significantly higher levels."

In the initial stages of introducing PPV, Clayton explains, operators must constantly tell subscribers exactly how to order a program, underlining its uniqueness so it's perceived as more than just a movie or a live event. Clayton's dictum: Sell PPV as something special.

Beyond basic marketing strategy, there is a consensus in the PPV community that more needs to be known about the habits and motives of the PPV viewer. For example, does PPV compete directly with movie rentals from the video store? The Cable Television Administration and Marketing Society is researching this. "They may be two entirely different decision-making processes in the mind of the consumer," says Clayton.

The bottom line for PPV growth rests on the expansion of the addressable universe, now at 9.3 million units. Tele-Communications Inc.'s recent investment in 250,000 on-premise addressable units from the Jerrold Division of General Instrument Corporation should have a positive effect on the industry. When the biggest MSO makes that kind of commitment to PPV, other MSOs are likely to step up their involvement.

If these smaller MSOs expand their addressability and the overall PPV revenue rises, Viewers Choice president and CEO Jim Heyworth believes the movie studios will shorten the window between PPV and video. The studios claim fear of home-dish piracy forces the windows. But Heyworth, head of the largest PPV service, doesn't buy it. "[The studios] don't want to jeopardize their home-video revenue," he says. At this point, studio video revenues dwarf the money earned from PPV.

Another big question in PPV is whether it will be event or movie driven. According to Heyworth, revenue is evenly split between the two. But many believe the lure of big cash-cow events, such as *Wrestlemania V*, which garnered $23 million, will drive PPV growth.

Weekly regional sporting events should also aid PPV expansion. For example, back in 1982, United Artists's Cablevision of Baton Rouge, La., began selling LSU football via pay-per-view. The system's PPV manager, Christina Fry, says 11 percent buy rates encouraged other operators to distribute the games statewide via PPV.

But PPV successes can't be measured simply by gross buy rates. Imperative to PPV's growth is figuring out the nuts and bolts of *why* an event or movie succeeds. "There is a definite shift in measuring PPV performance, not in terms of buy rates, but rather what the consumer is actually doing," says Bob Westerfield, director of project development for CTAM and head of its PPV research committee. "Gross buy rates are like seeing on Friday night that Wall Street was up 50 and thinking you understand trading. A buy rate is no more than a baseball box score."

RICHARD KATZ

Pay-Per-View Projections

	1989	1994
Avg. PPV universe (mil.)*	9.3	29.3
Total PPV buys/year (mil.)	33.4	210.7
Avg. film ticket price	$4.35	$4.60
Total PPV revenue/year (mil.)	$348.3	$1876.8
Monthly PPV rev./basic sub	$.60	$2.71

Source: Paul Kagan Associates Inc.
*Addressable units in areas that can receive PPV.

Pay-Per-View Networks

Name	Addressable Homes
Jerrold's Cable Video Store	1,000,000
Viewer's Choice I & II	5,500,000
Request Television I & II	5,150,000
Playboy at Night	2,600,000
Graff PPV (Drive In Cinema and Rendezvous)	1,200,000
Tuxxedo Network	700,000

Source: The networks.

SPANISH-LANGUAGE TV

The Meter Runs For Hispanic TV

Hispanic networks are hoping new Nielsen numbers will spur growth.

The most powerful stars of Hispanic television in 1990 won't ever appear before a camera. They'll be the Hispanic households hooked up to people meters in the first test of Nielsen's new Hispanic rating program.

Hispanics number at least 10 percent of the population nationally, and much more than that in key markets such as Los Angeles, New York and Miami. Yet advertisers spend only $300 million plus annually on network Spanish language TV. The two national Spanish networks, Univision and Telemundo, struggle to sell 60 percent of their inventory. And the rate of advertiser spending growth on Spanish TV is plummeting: revenues are expected to rise only 6 percent from 1988 to 1989, according to *Hispanic Business* magazine. Revenues rose 12 percent between 1987 and 1988.

The new Nielsen numbers could change all that fast. Interviews with thousands of L.A. Hispanic households, which eventually will result in the specific homes to be metered, shows "a higher percentage of Hispanic households being Spanish-dependent than we had assumed," says Telemundo president Henry Silverman. "Somewhere between two-thirds and three-quarters of Hispanic households watch Spanish TV, and that's a much larger universe than Nielsen now gives us credit for."

Hope is as high as the stakes at the nations's two Spanish-language networks, Hallmark-owned Univision and Reliance Group Holdings Inc.-owned Telemundo. The Spanish networks have sunk $20 million each into the project, which they expect will be ready for a national roll-out by the end of next year. The national Hispanic viewing audience is currently measured by Nielsen (only as part of its regular ratings measurement), Arbitron and Strategy Research Corp. to almost nobody's satisfaction. Nielsen intends its new system to remedy that situation.

Its launch comes at a time when Hispanic TV has to contend with increasing competition from mainstream broadcasting. HBO, several independent stations in L.A. and other English-language broadcasters around the country already simulcast part of their programming in Spanish. ABC, having launched a Spanish-language ad campaign to increase Hispanic viewership of its English-language programs, is aggressively touting that fact to advertisers catering to the Hispanic market.

But Hispanic TV remains sanguine about its niche. "We've always competed with the rest of the stations in any given market," says Univision's president Joaquin Blaya. "We've always had to fight for the bilingual audience. We think we're doing the right things to appeal to Hispanics who have the [language] options."

That means programming, the quality of which is an important concern among the advertisers going into 1990. "The major issues are programming, programming, programming," exclaims Juan Melendez, general manager/Hispanic marketing for Colgate-Palmolive. "If you don't drive programming, you don't drive viewers. If you don't drive viewers, you don't drive revenues."

Although 1990 will not be as frantic as 1989, when new programming initiatives at Univision and Telemundo were launched on what seemed a weekly basis, there will be more attempts to broaden the Hispanic TV audience. Expect to see more domestically produced Spanish soap operas (*telenovelas*) that reflect the experiences of U.S. Hispanics. In January, the long-awaited debut of a new Univision program starring crossover Hispanic star Paul Rodriguez is scheduled to bow. Univision also plans to launch its own, Spanish-language version of *Lifestyles of the Rich and Famous* in 1990.

There are more signs of the coming of age of Hispanic TV. Both Univision and Telemundo are trying to land a Major League Baseball package for 1990. Univision already has big sports programming ready for 1990, including the World Cup soccer competition and the World Basketball competition, in which U.S. pro players will compete for the first time against international stars. And speculation about a third Hispanic network continues.

But Hispanic TV's growth hinges on the results of Nielsen's pact with the Spanish networks to deliver a more accurate measure of the market. The meters are running. Hispanic TV will soon know if it's in the driver's seat, or still struggling to catch up. JACK FEUER

Hispanic Population Growth in the Top 5 Hispanic Markets

MARKET	1989 HISPANIC POPULATION (% of total pop.)*	1994 HISPANIC POPULATION (% of total pop.)**
New York	1,877,404 (25.6)	2,104,535 (28.4)
Los Angeles	1,278,476 (37.5)	1,543,844 (43.0)
San Antonio	528,686 (58.2)	589,922 (61.0)
San Francisco Oakland/San Jose	350,635 (19.1)	400,358 (21.1)
Miami/Ft. Lauderdale	251,454 (47.3)	263,532 (49.5)

Source: Donnelley Marketing Information Services and Nielsen Media Research.
*Estimated
**Projected

PUBLIC TV

A Rude Education In Competition

Once upon a time public TV had programming's high road almost to itself. Now commercial TV is in the passing lane.

Until 1989, the competitive threat faced by American public television broadcasters was aimed at prime time. Not any longer.

For the first time, commercial companies are targeting the educational market—a field that had once been the exclusive domain of public stations.

The most notable commercial venture aimed at schoolroom viewers is Whittle Communications' Channel One—a planned 12-minute daily news program that includes two minutes of commercials. But Whittle isn't the only intruder on public TV's educational turf. Cable's Learning Channel, CNN and the Discovery Channel have all either stepped up or launched classroom projects. To make sure Congress and other policymakers take notice, 22 MSOs and 16 program services and their powerful lobbyist, the National Cable Television Association, opened the Cable Alliance for Education to tout their educational programming.

Cable's educational programming push is just one more assault on the public TV franchise. Serious documentaries, British dramas and nature shows, once the sole province of public TV's prime time, have become staples of cable TV, and that has hurt ratings.

Since 1984, viewing of public TV in cable households has declined, particularly in homes that subscribe to pay TV, according to the Public Broadcasting Service. In the 1984-85 season, public TV monthly average-minute prime-time ratings in pay TV households averaged 2.2; in the 1988-89 season the average monthly rating had plummeted to 1.6. Overall monthly prime-time ratings dropped 8 percent—from 2.7 to 2.5, according to PBS.

Not all commercial pressures are external. Some come from within, as was the case when *This Old House* host Bob Vila was fired because of his increasing outside commercial endorsements. Vila was a paid promoter of a home supply chain that competed with a similar company underwriting the show locally at 17 stations for $750,000. When the underwriter balked and pulled its funding, Boston's WGBH, the program's producer, ousted Vila.

Vila's firing drew headlines, but the program that got the most attention in 1989 was wrapped in controversy over its alleged political bias. *Days of Rage* might have been just another independently produced and largely unnoticed PBS documentary. But as a sympathetic look at Palestinian youth engaged in the *intifada*, *Days of Rage* became the most anticipated program of the year.

The controversial public TV documentary *Days of Rage* prompted several public broadcasters to question how programming was being funded.

The furor caused by one program overshadowed public television's continuing dominance in program awards competitions. For the sixth year in a row, PBS producers took the most news and documentary Emmys, winning 18 for such programs as *National Geographic Specials*, *Nova*, *Frontline* and *The American Experience*.

For some PTV broadcasters the controversy surrounding *Days of Rage* did more than draw attention away from public television's programming kudos. The documentary also underscored the defects in how public TV funds, schedules and promotes prime-time productions. Broadcasters are now discussing several options for changing that process. One plan being considered would shift to PBS about $45 million annually from the Corporation for Public Broadcasting, which Congress established in 1967 to funnel federal funding to stations and producers.

A 1988 law authorizing Congress to appropriate as much as $795 million for public broadcasting in 1991-1993 also required CPB to set aside $9 million to fund programs made by independent and minority producers. The new Independent Television Service, funded by CPB, was launched in October to fund independently produced "programming that involves creative risks," according to the service's stated principles.

The independent producers lobbied hard for the fund and won despite the objections of the public TV establishment. Their next battle will be convincing the 180 PBS stations to air their programming. But as cable continues to make inroads on what was traditionally the public TV preserve, PBS affiliates may come to see daring programming as their raison d'être. RICHARD BARBIERI

HOME VIDEO SOFTWARE

Batman Boffo In Video Rescue

Videocassette sales get a big boost from blockbusters. Marketers hope the hits reinforce the video habit.

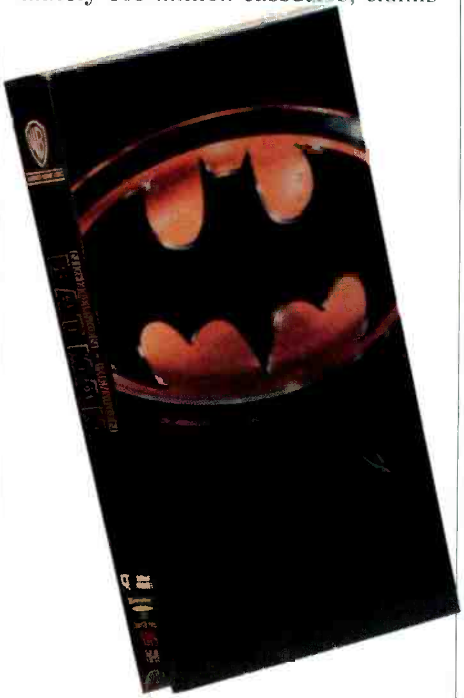
The 1990s will begin with a bang on video screens across the country, reprising the record-breaking movie summer of '89. *Batman*, *Ghostbusters II*, *When Harry Met Sally*, *Indiana Jones and the Temple of Doom* and *Honey, I Shrunk the Kids* will all be out on prerecorded videocassette a mere four to six months after their blockbuster theatrical runs. Close to 70 percent of U.S. households will have VCRs at home waiting for *Batman* as the new decade begins.

All this spells big bucks for the movie community. The increased VCR penetration has led Hollywood in two mutually beneficial directions. First, the gap between theatrical and home video release of major hits has narrowed from the 9 to 12 months common even a year ago to as little as four months now. Second, soft drink, fast food and other marketers are increasingly interested in tying their own promotional campaigns in with hit movies. *Batman*, for example, generated in excess of $250 million at the box office last summer. Four months later Coca-Cola paid a rumored $5 million to slip an ad on the tape of the movie and Warner Bros. released it on video—generating another $150 million for the studio within six months of its theatrical release.

Video marketers are banking on the wealth of '89 hits to reinforce the video habit—and to convert the interest in renting tapes to buying them. The industry knows it has a problem: The longer a household owns a VCR (or even more than one), the more likely a dropoff in video rental frequency.

A spate of blockbusters can, at least for the short term, offset a trend toward video inertia. The availability of mega-hits, such as a *Batman* or *Indiana Jones and the Temple of Doom*, at $20 to $25 within months of theatrical exhibition is seen as a major motivating factor in convincing consumers to purchase rather than rent.

Over the last two years, the number of videocassette rentals has stabilized in the 55 million to 60 million range, according to Vidmar Communications, a Los Angeles-based publishing and research concern. Concurrently, the number of tapes purchased by consumers more than doubled from 1988 to 1989, with viewers buying approximately 165 million cassettes, claims



Cambridge Associates, a Stamford, Conn.-based research firm.

Industry seers have long predicted a leveling off of interest in prerecorded videocassettes. But most also believe that a new medium will come along to tantalize the consumer. Philips, Pioneer and a handful of other hardware manufacturers with a vested interest expect that new medium to be the videodisc. Their rationale? The videodisc delivers video images superior to those on standard VCRs. Throughout the 1980s, however, consumers opted for VCRs because they can record as well as play back material. Thus far, videodisc players are play-back machines only.

Looking at the disc player population figures released by hardware manufacturers over the years can only leave one wondering who was playing fast and loose with the truth when. The total player population—believed to be in the 300,000-unit range as of the end of the decade—has hardly changed over a seven-year period, despite the annual refrain that "this year" would see hundreds of thousands of players sold.

The most recent round of publicity concerned so-called combination players (they play audio CDs as well as videodiscs), and agreements by several retailers to test-market videodiscs. In fairness, videodisc manufacturers are increasing their capacity, and several videodisc distributors claim increased sales. Still, the videodisc's heyday isn't expected until erasable discs come to market—not before mid-decade at the earliest.

By that time, the current trend toward consolidation of power among the major Hollywood studios should have played itself out, and the time may once again be ripe for new independents to spring up and take advantage of a new technology. While the future of video technology is predicated on planned obsolescence, independent production companies are born when entre to the major studios becomes too difficult for fresh new talent to get into the system.

Until then it may be lean times for the little guy. In 1989, Vestron, a major independent video firm that attempted to establish its own movie production arm, fell prey to a no-hit season. Other smaller labels similarly faltered and were gobbled up for their libraries by larger companies. And unlike in the movies, in this business the superheros, like Batman, usually come to rescue the big guys, not the little ones. IRA MAYER

BROADCAST STATIONS

Stations Sound A Tentative All Clear

Emerging from a period of pessimism, indies and affiliates alike focus their renewed hopes on localism.

A television program can find its way to the home screen myriad ways—via cable, a network affiliate, an independent station, wireless cable, satellite master antenna television, low-power TV or straight off a satellite. As the "Distributors" section details, every means of delivery sees an opportunity for growth in the decade ahead, though some will have an easier time than others. And everyone, it appears, will have to factor the cable juggernaut into their plans.

Television station executives planning for the 1990s see a competitive landscape much more like radio's than the one in which they operate today. In larger markets, they expect some stations to disappear. The three or four broadly based TV outlets that remain will compete with three dozen cable channels that will more effectively attract narrowcast audiences. To prepare for this new environment, affiliates and independents are avidly pursuing variations on a familiar theme: localism.

While escalating competition is pushing station managers to respond with local programming and stepped up local sales efforts, they feel a cautious optimism for the first time in three years. And that is a result of 1989's economic trends.

Already strong national and local sales growth surged at independents during the latter half of 1989. Affiliates had reason to cheer when all three networks backed down on threatened reductions in the compensation they pay stations for airing their programming. As the revenue picture for both indies and affiliates grew brighter, relief also came on the cost side—license fees for new syndicated programs continued to slide.

According to the Association of Independent Television Stations' analysis of a report by Arthur Young & Associates, second quarter national spot revenues for independents grew 5.4 percent while local sales grew 14.4 percent. Affiliates saw national spot grow only 2.9 percent during the second quarter, according to the INTV. Local sales grew 4.5 percent.

In 1988, by contrast, affiliates took the lead in higher growth for total revenues, with 4.9 percent, while indies grew 3 percent. The affiliates' gains were stimulated by extra revenue from the Olympics and elections, and that's one reason why they are falling behind the indies' results in '89. However, there are other reasons why indie growth has so dramatically surpassed them.

"Fox affiliates are benefiting from their network's ratings and the halo effect they are having on the rest of the stations' schedules," says Harry Stecker, executive vice president and director of client services at Petry Television, echoing the sentiments of other rep firm chiefs. Finally, two categories of advertising that typically buy heavily on independents—toys and movies—are up strongly in their spot expenditures this year, according to Peter Goulazian, president of Katz Television.

Stecker says that advertisers are finally starting to buy the independents' argument, backed up by years of research and aggressive marketing, that there's no difference in the demographic quality of independent and network affiliate viewership. He's reluctant, however, to isolate independents as the year's only big gainers in national spot sales. "A lot of affiliates are doing very well, including WDIV in Detroit, WPLG in Miami and KFMB in San Diego," he says. "But when all the figures are in, we will probably see that independents outpaced affiliates, in general, by a substantial amount."

Along with their unexpectedly healthy revenue growth, independents also suffered less audience erosion during much of this year than did affiliates. According to Nielsen's Monthly Cable TV Status Report, independents averaged a sign-on to sign-off rating of 6.8 between January and August, down just two-tenths of a rating point from the same period last year. Affiliates were down eight-tenths of a point, to a 16.6. The Fox network again gets some of the credit here, along with premiere movies independents are airing in prime time, according to INTV marketing vice president Lana King.

Meanwhile, the business of running a station has grown more complicated. Videocassette sales and rentals took a bigger chunk of the time Americans spend viewing TV. Major cable networks showed up in more local ratings books than ever before. Better ratings meant more competition from cable systems on the local ad sales front, prompting many stations to launch anticable campaigns to dissuade any advertisers who might be tempted.

Network shares may continue to slip, but affiliates were able to find reason for hope in another quarter this year:

ILLUSTRATION BY TIM LEWIS

much happier relations with their networks. Instead of slicing off a percentage of the compensation they pay to affiliates across the board, NBC and ABC adopted "incentive-based" formulas that reward stations for delivering high-rated lead-ins to network shows and for clearing a higher percentage of the network schedule. ABC added to that a plan to buy promotional spots in stations' locally programmed early fringe shows.

CBS moved more tentatively, reviewing its compensation agreements station by station and cutting where possible. For most affiliates of all three networks, compensation didn't decline as a result of the new approaches. For a few good performers, it has increased.

Affiliates also see improvement in other areas of their relationship with the networks, including new program development, according to Peter Kohler, vice president of Gannett Broadcasting, which owns affiliates of all three networks. "After attending the annual affiliates meetings," Kohler adds, "our general managers came back with the same sentiment: The networks are back in business."

In response to the new network attitudes, many affiliates claim they have cut back on preemptions of network programming. And advertisers and program syndicators tend to back them up on that claim.

Stations may also have another motive in cutting back on preemptions, however. Too much talk of the networks' demise can hurt the value of a healthy network affiliate, and in general, 1989 was a slow year for station sales. A much larger factor in the slowdown in station sales lay in the number of outlets that went on the block early in the year.

Gillett Broadcasting and Television Stations Partners are among groups that put stations up for sale and then pulled them off the market later in the year after finding offering prices too low. Todd Hepburn, vice president of brokerage firm Ted Hepburn & Co., expects station values to firm up now that fewer properties are being offered, and because broadcasting has already experienced most of the impact of new competition from cable and VCRs.

Both he and Dick Blackburn, president of broker Blackburn & Co., agree, however, that cash flow multiples paid for stations will settle in at between 10 and 12 times cash flow. "No industry can sustain multiples of 15 times cash flow or more for very long," Blackburn says, referring to the very high multiples paid for stations during the mid-1980s.

Although stations are guardedly optimistic about revenues, station values, and network relations, their concerns on the regulatory front could grow more pressing. Cable's clout took on new meaning during September, when American Television & Communications' Rochester, N.Y., cable system launched its own version of an independent station, programmed with off-network series and movie packages spurned by stations in the market. The "indie without a stick" even boasts its own unofficial call letters, WGRC.

Both INTV and the National Association of Broadcasters lodged protests against the new channel at the FCC and on Capitol Hill, arguing cable systems would displace local stations with local-origination channels of their own unless forbidden by law to do so. Broadcasters have also protested the "siphoning" of local sporting events from stations by a growing number of regional pay cable sports networks and have continued pushing for reinstitution of a law forcing cable operators to retransmit local broadcast signals.

As they fight for reregulation of cable, however, broadcasters are wary of shining too bright a spotlight on the communications industry in general. "Cable-bashing is really popular in Washington this year. But whose turn will it be next year?" asks Ed Aiken, general manager at independent WTOG-TV St. Petersburg, Fla. Reimposition of the Fairness Doctrine, imposition of spectrum fees and the regulation of children's programming and "indecency" are all recurring threats.

Despite broadcasting's anti-cable offensive in Washington, some leading stations went to bed with the enemy, developing news programming for local cable operators. Some stations, like WNYW in New York, produce five-minute local inserts for Headline News, while others permit cable systems to repeat newscasts at a later hour on their local access channels. "All anybody wanted to talk about at the RTNDA [Radio Television News Directors' Association] convention was cable," says Joe Duke, news director at CBS-affiliate WWL in New Orleans.

Duke helps run one of the most extensive broadcast-cable news coventures to date, a 24-hour news channel. WWL provides the channel with simulcasts of its four-and-a-half hours of daily news programming and repeats of those broadcasts to offer viewers constant access to what's going on in their city.

Duke and many other broadcasters are not convinced the cable ventures will succeed, but most bank on localism as a key part of their strategies in the ratings race. "Regardless of how many

ILLUSTRATION BY MICHAEL A. DONATO

channels a cable system has, a viewer will do most of his viewing on the channel that offers the most local information," says David Lane, president and general manager of ABC affiliate WFAA-TV Dallas. In addition to five local newscasts each day and quarterly prime-time specials on community issues, WFAA lends "as much promotional support to community events as possible," Lane says. The station is also exploring the idea of programming a local cable channel.

Besides acquiring syndicated programming that appeals to their particular regions, most independent stations build their connections to the community by broadcasting local sports and promoting local events. To date, most have opted against starting local newscasts.

Among the more aggressive local programmers is Sacramento's NBC affiliate KCRA-TV, which has opted decisively *for* the newscast. As part of an ongoing effort to solidify its position as its market's primary source of local news, it launched an overnight newscast in November that starts at 2 A.M. on weekdays. As of January, the NBC affiliate will preempt NBC's Saturday morning fare and run the news block for 11 hours that day, all the way up until 1 P.M. KCRA had already been airing four-and-one-half hours of local news in other dayparts.

"Local news makes us unique," says John Kueneke, KCRA's general manager, who maintains that even if cable operators should launch their own local news channel in his market, KCRA's established presence and reputation for news would allow it to maintain a dominant ratings position.

Disney-owned KHJ-TV in Los Angeles has become one of the indie pioneers in the local news field. KHJ is starting a three-hour block of news and information programming in prime time. And MCA's WWOR-TV New York airs a live, three-hour local infotainment show on weekday mornings. Other indies are watching these ventures with interest. "The 1990s will be the decade of local production," says the president of a medium-sized independent station group. Independents outside the big markets will get into the local news business, and there will be much more live programming on stations in general, according to this executive. "We're headed for a return to the '50s, when television was mostly live. WWOR is just the beginning."

Along with localism, affiliates are counting on the strength of their networks to insure them one of the handful of dominant positions in tomorrow's ratings race. "There are a tremendous number of movies available to viewers," says Gannett's Kohler. "They're on stations, pay cable, home video. But there's only one place where you can watch [a large amount of] original series, and that's on network television."

On the independent side, Harry Pappas, president of independent station owner Pappas Telecasting, believes restoration of syndicated exclusivity next month will go a long way toward helping indies maintain unique identities as television's environment grows increasingly crowded. Pappas notes that Paramount and 20th Century Fox have rewritten contracts for syndicated shows sold several years ago to guarantee stations exclusivity retroactively. (Columbia and MCA, he says, are considering following suit.) This means indies will have exclusive rights not only to shows bought since 1988, when the FCC decided to revive its syndicated exclusivity rules, but for some acquired during the previous two or three years.

Kohler's faith in series television extends beyond the Big Three to Fox's network of independents: "The success of the Fox network is testimony to the vitality of the network system and the concept of spreading the costs of programming across a whole group of stations."

The still-fledgling Fox Network may receive stiffer competition in the coming year if MCA and Paramount Communications offer independents a fifth network, using Paramount's five TVX Broadcast Group stations and MCA's WWOR-TV in New York as cornerstones for the service. The network would offer two nights of programming a week initially. A fifth network might mean headaches for its four predecessors, but it's also a challenge to cable television, and a sign that beleaguered broadcast stations still have room to grow. KATHY HALEY

The Bottom Line for Affiliates and Independents: 1988

	MARKETS 1-10		MARKETS 11-25		MARKETS 26-50		MARKETS 51-100		MARKETS 100+	
	Affiliate	Independent	Affiliate	Independent	Affiliate	Independent	Affiliate	Independent	Affiliate	Independent
Total Net Revenues[1]	$68,066,468	35,595,267	34,017,590	14,406,449	17,307,880	6,289,139	8,300,577	3,173,427	4,088,563	1,918,867
Percent Change from 1987	−2.1	−6.3	3.3	16.1	7.0	4.6	4.7	1.7	7.9	17.2
Total Expenses	$41,646,815	32,046,694	23,170,917	15,442,617	14,419,519	8,058,936	7,214,648	4,583,346	4,163,113	2,720,633
Percent Change from 1987	2.0	−2.8	5.0	10.5	10.3	−0.9	4.0	2.3	6.6	−0.8
Cost of Broadcast Rights	$7,843,070	17,176,226	4,746,904	7,026,727	2,527,359	2,935,603	1,125,102	1,369,844	374,162	421,367
(Percent of expenses)	(18.8)	(53.6)	(20.5)	(45.5)	(17.5)	(36.4)	(15.6)	(29.9)	(9.0)	(15.5)
Percent Change from 1987	5.2	8.1	8.5	11.3	17.3	−6.4	14.6	−3.8	14.0	−2.9
Depreciation, Amortization and Interest	$4,258,877	2,360,362	3,044,626	1,774,183	3,287,453	1,582,319	1,431,395	988,065	1,307,795	773,329
(Percent of expenses)	(10.2)	(7.4)	(13.1)	(11.5)	(22.8)	(19.6)	(19.8)	(21.6)	(31.4)	(28.4)
Percent Change from 1987	20.1	−0.8	8.4	−0.7	10.3	5.9	7.0	−3.0	15.4	−12.3
Cash Flow	$30,678,530	5,908,935	13,891,299	738,015	6,175,814	−187,478	2,517,324	−421,854	1,233,245	−28,437
(Cash flow margin)	(45.1)	(16.6)	(40.8)	(5.1)	(35.7)	(−3.0)	(30.3)	(−13.3)	(30.2)	(−1.5)
Percent Change from 1987	−4.9	−20.1	1.8	223.0	1.5	NC	7.8	NC	21.4	NC

NC: Not calculable. [1]Total time sales minus agency commissions, usually about 15 percent.
Source: 1989 NAB / BFM Television Financial Report. Base figures from 1988 NAB / BFM report have been revised.

THE COMPANY YOU KEEP IS THE COMPANY YOU WATCH.

CABLE OPERATORS

Cable Changes The System From Within

As cable operators gird for local competition with broadcasters, they face closer scrutiny from Capitol Hill.

Cable operators are preparing for the challenges of the 1990s with increasing attention to the home front. It's no coincidence that the new emphasis on local advertising, local channels, educational initiatives and regional sports networks comes as the industry nears a ceiling on subscriber rate increases, and a slowdown in penetration growth is foreseen as the decade progresses.

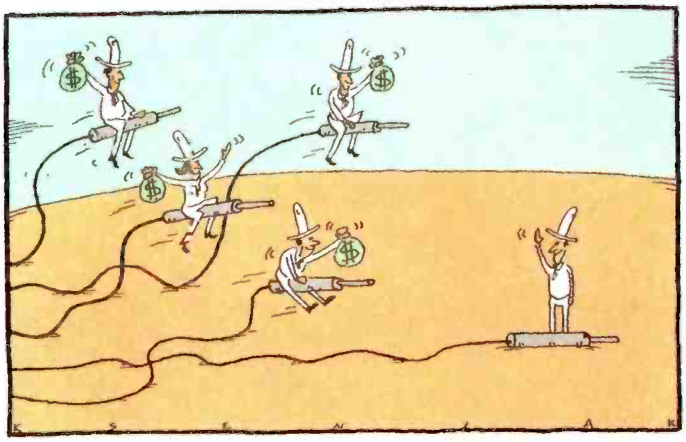
Cablecasters also fear there are heated regulatory battles ahead. While many think cable reregulation is unlikely under a Republican administration, Oppenheimer Inc. senior vice president Dennis McAlpine proffers a worst-case scenario, "the separation of program ownership and system ownership through legislation" by the end of the '90s. He says events such as the protracted dispute between the Madison Square Garden Network and Cablevision Systems, a top MSO and owner of several networks, inspire political opposition to vertical integration.

The specter of reregulation looms just as MSOs are preparing to turn a revenue trickle—local advertising—into a significant contributor to their bottom-line growth. Local sales efforts are still very much in the formative stage: Systems are expected to take in about $500 million in national spot and local advertising for all of 1989, according to the Cabletelevision Advertising Bureau. That compares with the more than $18.3 billion in subscriber revenue operators are expected to bank in 1989, given an average monthly cable bill of about $30. By 1995, however, Paul Kagan Associates expects local and spot advertising to surpass $1.4 billion.

"Advertising sales is our next frontier, if we want to withstand cost increases," says Ajit Dalvi, Cox Cable Communications' senior vice president of marketing and programming, referring to such skyrocketing system expenses as network fees. "Greater sophistication in ad sales should be a critical priority for systems."

The growing emphasis on local sales comes at a time when cable operators have jumped the 55 percent penetration hurdle and kept on running. Yet while some expect to hit 70 percent by 1994, subscriber growth will become more of a struggle as the '90s progress and only die-hard resisters are un-cabled.

Systems hope that advertising, along with such other nascent revenue streams as pay-per-view, will compensate for smaller basic fee increases in the coming years. MSOs are expected to reduce yearly rate rises to single-digit percentage levels in '90. Since the industry's 1986 deregulation, annual increases have been in the teens.



The more conservative pricing comes partially as a result of consumer and political pressure. Yet not all is bleak in Washington. The cable industry took heart last summer when the General Accounting Office reported that the average cable bill rose just 14 percent between December 1986 (when rates were deregulated) and October 1988. Cablecasters counted that, along with the government's approval of the Time Warner merger—creating a 6 million subscriber MSO and one of the most vertically integrated media companies in existence—as two milestones in '89.

The GAO report may have taken "a little wind out of the sails of reregulators," according to Cablevision Systems vice president of government relations Sheila Mahony. But anti-cable forces point to more dramatic numbers in the study—for example, the 29 percent increase in basic cable rates over the same period.

Cable-bashers use the basic rate jump as part of their argument against industry consolidation. Time Warner is only part of a larger trend. An analysis of *Channels* and Kagan data for July 1989 shows that 66 percent of all basic cable subscribers are served by the top 20 MSOs, an increase from 59 percent in June 1988. What's more, 24 percent of all subs are in the hands of the top two MSOs, Tele-Communications Inc. and Time Warner Cable. The percentages grow much steeper when systems in which TCI holds minority positions are included.

"The number of independent operators will continue to shrink," says Rick Michaels, chairman and president of Communications Equity Associates. However, he adds, "There are still a lot of good opportunities out there."

Kagan sees a 13 times 1990's cash flow multiple as the average for cable acquisitions during 1989, up from 11.6 in 1988. However, system sales are expected only to match 1988's results, at $14 billion. And Michaels, who reports particularly strong sales of systems in the 20,000 to 100,000 subscriber arena, anticipates that 1989's selling trends will

ILLUSTRATION BY MARK KSENIAK

be duplicated in 1990.

"I think that the frenzy to buy systems at these [multiples] may not be what it was a couple of years ago," adds Ken Goldman, an analyst at Hanifen Imhoff. He notes that the cash flow margins of cable companies have drifted upward slightly in recent years, hovering at about 45 percent of revenues in 1989.

Goldman says the industry has reached an equilibrium, being neither a buyer nor seller's market right now, but he describes what could develop into a trend—large MSOs joining forces to buy out huge cable companies, then dividing up the systems in ways that allow for clustering. One notable example was the sale of the Centel Cable Television properties to such companies as Warner Cable Communications, American Television & Communications, Jones Intercable, Simmons Communications, C-Tec Corp. and Adelphia Communications.

Such clustering makes sense because cable systems are increasingly thinking regionally as well as locally, investing in regional sports networks—"the business of the '90s," in the opinion of HBO senior vice president of programming, operations and sports, Seth Abraham. "Sports is a very local love affair. And these regional sports networks really requite that love."

The movement of these much-loved sports to cable, however, and off of broadcast provides more ammunition for those who would reregulate the industry. This past year saw the alignment of two large regional sports camps, largely composed of system operators, who've divided much of the country between them. In March, TCI linked with cable pioneer Bill Daniels and Houston Astros owner John McMullen to form Prime Network. The new entity consists of one newly formed national sports net and regional services in the Southwest, Florida, and the Rockies, as well as a new Midwestern venture that also involves Comcast Cable Communications and ATC.

The TCI service competes for sports contracts—and in some markets for audiences—with Cablevision and NBC's SportsChannel America and several regionals, numbering seven at last count. Independent networks, such as Paramount's MSGN and Group W's Home Team Sports, fill out the regional roster.

The migration of sports programming to cable channels may be the most emotional of the ongoing regulatory issues that the industry will face in the '90s. Stephen Effros, president of the Community Antenna Television Association, is among those who expect cable to become increasingly embattled in Washington during the next two years, thanks to such issues as telephone company entry into the cable business, the reimposition of the syndication exclusivity rules (effective 1990) and the return of must-carry regulations.

Scrutiny from D.C. and scattered outbursts of consumer rebellion may be motivating cable's local turn. Operators have focused their attention on providing news and programming, and some have improved their less-than-stellar customer service records.

Political pressure and Whittle Communications' new Channel One school service can share the credit for inspiring cable's push to develop and distribute educational programming on a major scale. In September, 22 MSOs and 16 cable networks announced the formation of the Cable Alliance for Education, which aims to bring instructive, commercial-free programming into school systems via cable and videotapes.

Cable's new interest in local news is part community service, part advertising opportunism. Cablevision and NBC are expected to follow their successful News 12 Long Island channel with local networks in gold-coast areas of California and Connecticut—Orange and Fairfield counties, respectively. Cox's initial foray, a joint venture with WWL-TV New Orleans, uses the station's existing news programs as the base for a 24-hour news channel.

Broadcast news is also showing up as part of the program schedule on cable local origination channels. Nationally, Headline News launched a drive this year to have stations produce five-minute local news inserts for that network, attracting such major-market participants as New York's WNYW.

Ironically, these developments come at a time when broadcasters are fighting for local advertising dollars with anti-cable promotional campaigns—and when they're increasing local programming to differentiate themselves in a crowded TV environment.

Broadcasters also are up in arms over the threat of unregulated "cable indies." The much-publicized WGRC, a channel programmed by Time Warner Cable's Greater Rochester (N.Y.) Cablevision, has bought such syndicated shows as *ALF*.

Nick Nicholas, co-CEO of Time Warner Inc., terms WGRC, which has purchased rights to some of Warner's syndicated product, an "experiment," and says that whether the company will roll out similar ventures remains to be seen. But if Time Warner doesn't do it, others will. The cable-broadcast battle, once national, will be hand-to-hand in the '90s. JANET STILSON

Top 20 Cable Operators

Company	Basic Subs 7/31/89 (000s)	Basic Subs 12/31/88 (000s)	Percent Change
1. Tele-Communications[1]	6,540.2	6,771.7	−3.4%
2. Time Warner Cable	5,754.5	5,568.9	3.3
3. United Artists Entertainment[1]	2,490.0	2,607.3	−4.5
4. Continental Cablevision	2,486.0	2,366.0	5.1
5. Storer[2]	1,523.4	1,534.1	−0.7
6. Cox Cable	1,518.9	1,495.0	1.6
7. Comcast	1,515.0	1,451.2	4.4
8. Cablevision Systems	1,378.7	1,120.7	23.0
9. Jones Spacelink[3]	1,190.7	1,107.1	7.6
10. Newhouse	1,157.2	1,132.3	2.2
11. Times Mirror Cable	1,049.8	997.0	5.3
12. Viacom	977.0	1,153.0	−15.3
13. Cablevision Industries	966.7	902.6	7.1
14. Sammons	867.4	852.6	1.7
15. Century	840.6	790.6	6.3
16. Adelphia	764.0	718.7	6.3
17. Falcon Cable	721.3	625.9	15.2
18. Cooke Cablevision[4]	654.1	714.6	−8.5
19. Centel Cable[5]	603.4	577.9	4.4
20. TeleCable	583.6	571.5	2.1

Source: Paul Kagan Associates Inc., *Channels*.
[1] TCI's subscribers include all majority-owned MSOs (WestMarc Communications, Heritage Communications, Bresnan Communications and TKR Cable) except United Artists Entertainment, which is 56 percent-owned by TCI. TCI shows a drop in subscribers because from 1988 to July 31, 1989 its ownership in Lenfest Communications dropped from 52 to 48 percent, excluding Lenfest from TCI's 1989 sub count.
[2] Storer is owned by the following: Comcast, 50%; TCI, 35%; and TKR Cable, 15%.
[3] Jones Spacelink is the parent company of Jones Intercable.
[4] Cooke Cablevision announced in July the sale of its cable assets, which at press time had not been completed.
[5] Centel Cable announced in March the sale of its cable assets, of which portions had been sold at press time.

LOW-POWER TV

A Low-wire Act

While low-power TV stations multiply like rabbits, a lack of cable system carriage hurts their visibility.

While the hurdles remain high for low-power television, its growth curve took a steep upward climb in 1989. Horror stories told by entrepreneurs who waited years for the FCC to process low-power applications are fading into distant memories.

With the commission now processing applications in about four months, an average of 17 LP stations signed on the air during each month of 1989, up from 5.5 monthly in 1987. As of October, 727 stations were in operation, 200 of them commercial.

Even with such encouraging gains, admits John Kompas, president of the Community Broadcasters Association, "Low-power is still a second-class service." An LP can be bumped off its frequency if it interferes with the signal of a new full-power station. And while most LPs find new frequencies, Kompas thinks this instability is keeping investors away.

The Top-Rated Low-Power TV Stations

STATION	MARKET	WEEKEND CUME*
K38AS	Twin Falls, Idaho	58.6
K25AS	Eugene, Ore.	18.8
W49KG	Baton Rouge, La.	15.3
W19AQ	West Palm Peach, Fla.	11.9
K14AP	Anchorage, Alaska	10.7

Source: Nielsen Media Research.
*Percentage of DMA households reached at least once a day, July 1989, Saturday-Sunday 7 A.M.-1 A.M.

What's more, low-power outlets continue to face resistance in obtaining cable carriage. Carriage is vital because the low-power signal is often hard to tune in over the air, and cabled homes rarely watch stations not on their systems. A CBA survey indicates that 52 percent of low-power stations have at least some cable carriage presently.

The nation's two largest multiple system operators, American Television & Communications and Tele-Communications Inc., are among those resisting low-power carriage, according to the CBA. Kompas believes the MSOs view the low-power operations as competition for their ad dollars. Company spokesman James Duffy says ATC has no policy regarding LPTV, and that carriage decisions are made locally.

Despite their disagreements, friendly interaction between low-power and cable is becoming more common. Such cooperation, which bodes well for low-power, can mean more than cross-promotion—when a Lake Havasu, Ariz., construction crew cut through one of Dimension Cable's trunk cables, LP Channel 45 broadcast cable-outage updates every 15 minutes.

RICHARD KATZ

SMATV

Breaking Through

New dollars invigorate SMATV as developers and other investors rediscover their interest in the marketplace.

Despite the programming difficulties faced by the satellite master antenna television business, the reentry of real estate companies has given the industry an upbeat outlook.

Even a few well-financed non-real estate companies are making their presences felt in SMATV, which offers an alternative to the local cable system franchise by delivering cable and broadcast programming to multi-unit dwellings via satellite dishes.

The real estate influx, according to communications lawyer Mark Tauber, is "the biggest development in the last year. They have recognized that they have a [ready-made] audience and an alternative profit source."

John Raines, group director of the National Satellite Programming Network trade association, says developers first invested in SMATV during the early '80s. But mismanagement caused many of what he termed "unfortunate experiences." He's convinced that this time around the developers know more about the business.

Among the real estate newcomers is Dallas-based giant Trammell Crow, one of the largest developers in the country, which has started a SMATV arm. Nondevelopment companies such as Nationwide Mutual Insurance are also getting into the SMATV business—Nationwide has several projects in the Houston area.

"Even though the [purchase] price of SMATV systems has gone up to $1,100 to $1,600 a sub," says Raines, "it is still far less than the $2,000 to $3,000 for a [cable] franchise sub." Building a SMATV system also costs less than building a cable system.

Raines estimates 2.2 million people subscribe to SMATV at present, 300,000 more than subscribed at year-end 1988. In addition, about 1.3 million guests at more than 20,000 hotels make use of SMATV services annually.

Yet despite all the positive developments, the SMATV industry still finds programmers less than cooperative. Home Box Office, Cinemax and The Disney Channel are the major holdouts, and even though most other programmers sell to SMATV, they do so for a 15 to 20 percent premium, according to the NSPN. "The programmers," says Tauber, "don't want to bite the hand that feeds them—franchised cable."

RICHARD KATZ

ILLUSTRATION BY TOM SCIACCA

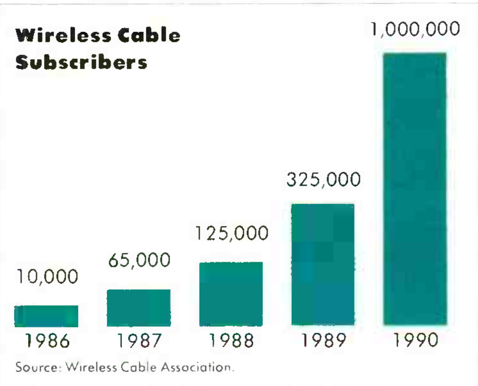
WIRELESS CABLE

License to Thrive

The FCC clears the way for wireless cable expansion, but the industry faces programming difficulties.

It may never challenge cable giants TCI or Time Warner, but judged against its past performance, wireless cable is set for some whirlwind growth.

Wireless systems, which utilize multichannel multipoint distribution service signals to relay cable and broadcast programming to homes via rooftop antennas, now serve about 300,000 subscribers. Two years ago, the total was 65,000, according to Wireless Cable Association president Bob Schmidt.



Source: Wireless Cable Association.

Schmidt's group projects 1,000,000 wireless subs by the end of 1990, based on a surge in licensing. The Federal Communications Commission has granted enough wireless licenses to expand the business to about 200 markets, up from its current 30.

George Eagle, a senior analyst at Paul Kagan Associates, terms wireless a promising industry, but says "it's not going to sweep the nation like wildfire." What's surprising, he adds, is that cable operators haven't invested in wireless to reach customers in areas that are economically unsound to wire.

Wireless, in fact, does continue to be most effective in areas underserved by cable, according to Stewart Nazzaro, assistant to the chairman of Communications Equity Associates. Sub fees may be lower, but wireless tends to deliver fewer signals.

Access to cable programming remains a major difficulty for the business. Networks that either do not or rarely supply programming to wireless include Home Box Office, TNT, ESPN and Showtime. Those holdouts make it still more difficult for the fledgling industry to secure financing, says Richard Amons, vice president of development at Washington, D.C.-based Universal TV Corp. However, Microband Corp.'s deal for $150 million in financing from TA Associates of Boston, Drexel Burnham Lambert and New York Life this year was encouraging. Amons is also hopeful that wireless will find friends in Washington—there are 23 bills now before Congress that would allow more competition between cable and such alternative sectors as wireless.

ANDREW SERVETAS

BROADCAST EQUIPMENT

The Incredible Shrinking Station

As equipment takes less space and fewer bucks in the 1990s, television station staffs may get smaller too.

In the film *Honey, I Shrunk the Kids*, the children are miniaturized by one of their father's inventions to a fraction of their normal size. Judging by what has been happening over the past few years in broadcast technology, manufacturers seem to have discovered the same machine. The results can be found in TV stations across the country.

The trend toward smaller, cheaper, more powerful equipment, which accelerated during the past decade, will not slacken in the '90s. Some station employees will find their jobs made easier by technology, others will find their jobs eliminated by it.

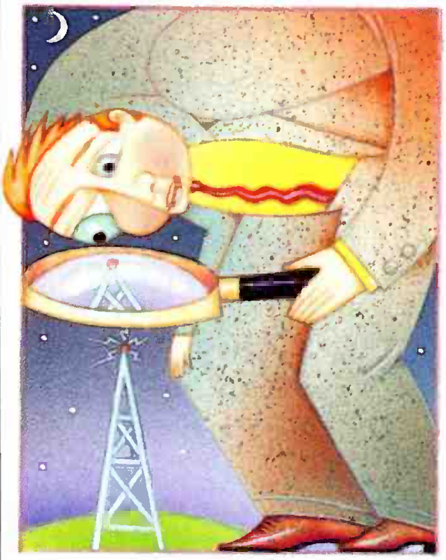
In an era where broadcast cameras weigh less than 20 pounds and satellite dishes fit under the seat of an airplane, manpower needs will continue to diminish. Effects devices that once filled a closet have shrunk in size to boxes that can rest on a table and are powered by standard IBM personal computers and Apple Macintosh IIs. Creativity may blossom when young art-school graduates can become proficient on these machines in a matter of weeks, but it blooms at reduced salaries. When "repairing" a machine means taking 15 minutes to swap a bad computer board for a good one, engineering jobs remain, but more and more often they are going to those who have learned new skills.

Computerized library management systems, capable of literally running a station 24 hours a day, are endangering jobs. Robotic cameras enabling one person to do the work of three or four could jeopardize still more.

"We don't see it as eliminating functions so much as freeing up staff," says one manufacturing executive. "Thus far we haven't heard of any cases where automations have cost jobs. Will a staff go from 50 to 20? I don't know. Will it go from 50 to 45? Maybe."

The "less is more" phenomenon extends to tape formats. Once the only format was two-inch. Now the typical TV station has one-inch and three-quarter-inch tape equipment, and is finding more uses for half-inch machines, which deliver a better signal than either of the larger-format machines.

Raising the stakes in the half-inch videotape recorder battle, Panasonic Broadcast unveiled the preproduction model of a composite digital machine at the National Association of Broadcasters convention in Las Vegas last April. The machine received virtually unanimous commendation from the engineering community, a group not known for its ready praise. As with its one-inch counterpart, Digital DTR, Panasonic's new recording format (unnamed as of this writing) is at once digital and compatible with existing NTSC equipment.



Quantel and Ampex Corp. marked 1989 by unveiling smaller and less expensive versions of existing machines. Throughout the '80s, the Emmy-winning Ampex Digital Optics (ADO) and Quantel's Monitor-winning Paintbox were the key tools used by a new generation of broadcasters, machines that literally changed the look of television. When it was introduced in 1981, the ADO was priced at $102,500; today the ADO-100 starts at $22,000. Similarly, Paintbox was originally about $140,000, and the new V series is roughly $80,000.

Sony Broadcast and Ampex also launched new product lines this year, evidence of a growing belief in the industry that competition is just too fierce for a major manufacturer to produce anything less than a complete line of broadcast equipment.

Introduced in '88 and shipped in '89, the Alex marked Ampex's entry into the character generator fray. To date, Aston has dominated the market in Europe, and Chyron is virtually synonymous with character generators in the U.S. Similarly, several companies are already well-established in two markets that Sony announced it would penetrate, switchers and digital effects machines.

As with the notion of selling complete lines of equipment, merging with another manufacturer is now perceived as a way to succeed, or simply survive, in a world that has never been more competitive. As part of the merger trend, Quantel's parent corporation, UEI, merged with Carlton Communications in early 1989—a $3 billion deal. Carlton is the corporate parent of such ventures as Abekas Video Systems, which manufactures the digital disk recorder A-62.

No discussion of advances in TV technology seems complete without some mention of a revolution that *isn't* progressing quickly—HDTV. As the year closes, the situation is one of confusion at best and stagnation at worst. One positive note was CBS's airing of the first TV movie produced in HDTV, *Littlest Victims*. No word yet, however, on when the second network high-def production will premiere.

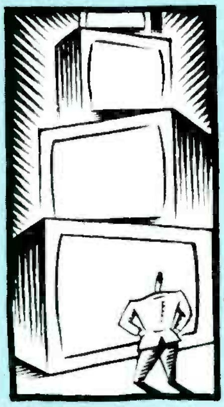
NICK DAGER

ILLUSTRATION BY DIANE TESKE HARRIS

THE TV SET

In Search of the Ultimate TV Set

Televisions are bigger and sound better, but as far as high-def goes it's still more talk than action.



TVs and VCRs will continue to get better and cheaper. The folks touting home satellite dishes promise to deliver 200 channels or more. And audience researchers claim they are close to that breakthrough that can deliver data so highly sophisticated that TV programmers will be able to push consumer buy buttons at will. Their targets, the baby-boomers, enter middle age hunkered down in their 21st-century nests, wired to the hilt by the gadget-makers and poll-takers.

Though 1989 brought splashy headlines about high-definition television (HDTV), prompted in part by broadcast TV's ballyhooed 50th anniversary, consumers still face a lengthy wait for high-def nirvana. A study by Robert R. Nathan Associates, commissioned by the Electronic Industries Association (EIA), gamely suggests HDTV sets might be in American stores as early as 1993. But that's probably a best case scenario.

Most industry observers, like *Video Magazine*'s Lance Braithwaite, believe HDTV might tarry longer—say, until the year 2000. By then, HDTV will probably be seen as but one facet of an ambitious scenario that would transform the television set into a telecomputer fed by a fiber-optic line. Such a line—supplied, perhaps, by local phone companies—would become the techno-cultural lifeline not only for video and audio distribution but for telephone service, shop/bank-at-home services, computer data and myriad electronic services yet unborn.

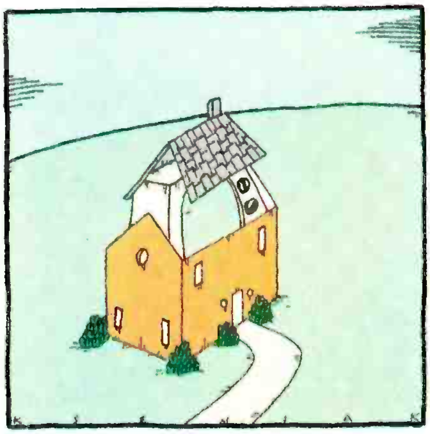
Meanwhile, retailers and manufacturers fear the HDTV drumbeat may have a negative effect on TV sales, so they're desperate to make current products look enticing. One result is that television is growing—literally. At first the changes seemed moderate, as 19-inch sets gave way to 20-inch, then 25-inch and 26-inch sets.

In the last couple of years, however, new tubes of unprecedented size have appeared: 27-inch, 32-inch, Mitsubishi's and Sharp's new 35-inch, and Sony's mindboggling 43-inch. Rear-projection sets, with screens measured in feet, have gained a new respectability, thanks to pictures that are brighter and, due to clever uses of computer memory, sharper and cleaner.

TV manufacturers have rethought TV audio as well. To take advantage of stereo broadcasts, hi-fi VCRs and videodisc players, makers of high-caste monitors routinely include stereo amplifiers and speakers. And big-screen manufacturers have rushed into liaisons with audio companies that have marquee value to produce unique audio/video hybrids: Zenith sets with "Sound by Bose," Toshiba models with "Carver Sonic Holography," Sonys with a "Sound Retrieval System" from Hughes Aircraft, and so on.

Inside the set, computer chips are becoming a staple of TV design. Such manufacturers as Philips and Toshiba use them to double the number of scanning lines in so-called "improved-definition TV" (IDTV) sets, a sort of halfway house on the road to HDTV. Even makers of non-IDTV models find computer memory useful for killing video noise and generating "picture-in-picture" (PIP) insets and other effects.

IDTV is not the only current product to connect television's present with its future. Sharp has introduced a front-projection TV that uses liquid-crystal display (LCD) panels within a compact portable projector to produce a picture that's bright and colorful, though hardly sharp even by low-definition standards.



The biggest pie-in-the-sky promise from the guys in the white lab coats is a flat-screen TV that can be hung on the wall. Flat-screen TV has captivated public imagination since the 1950s, when Ronald Reagan, of all people, introduced the concept while hosting the *General Electric Theater* series. Ray Bradbury and Francois Truffaut depicted a flat-screen television as an ominous instrument of social control in *Fahrenheit 451*. However, as the '90s commence, flat screens, like HDTV, are still harmlessly confined to the laboratory.

MARK FLEISCHMANN

ILLUSTRATIONS (TOP), BY TIM LEWIS; (BOTTOM), BY MARK KSENIAK

HOME SATELLITE DISHES

The FCC Sends DBS Flying

Direct broadcast satellites get a boost from policymakers, while new technology keeps the pirates at bay.

Valentines seldom arrive in summer, but last August that's what the home satellite dish industry got from the outgoing chairman of the Federal Communications Commission.

Dennis Patrick, in his final act as FCC chairman, pushed through the long-delayed fifth round of direct broadcast satellite (DBS) applications, granting approvals to a number of U.S. companies for satellite construction and the future provision of DBS services.

DBS technology uses a powerful high frequency Ku-band signal to deliver entertainment and other services directly to the home via small rooftop antennas. The advent of DBS in the U.S. could have a significant impact on the future of the existing satellite-to-home industry that serves 2.5 million U.S. households using the older, and lower-powered C-band frequency.

DBS pioneer Stanley Hubbard's United States Satellite Broadcasting Corp. was quick to capitalize on the FCC approval, announcing less than two weeks later a "substantial investment" for its DBS plans from Nationwide Communications Inc., a wholly owned subsidiary of Nationwide Insurance. Nationwide is a force to be reckoned with: It owns four TV and 16 radio station licenses.

DBS transmissions, Hubbard says, will be receivable by a 14-inch satellite dish costing roughly $500. The reason DBS is attractive is that there are an estimated 15 million to 20 million uncabled households, many of which will never be wired, leaving plenty of room for DBS operators to fill the gap.

"High-powered DBS services are going to happen," says Hubbard, perhaps feeling cocky with financial giant Nationwide Insurance behind him.

Initially, full DBS will offer 96 to 128 channels of programming, growing to as many as 256 channels as the marketplace matures, Hubbard predicts. The eventual downsizing of dishes to an unobtrusive 9 inches in diameter, he adds, will make the technology even more attractive.

Just launching the hardware for a full-blown DBS system like the one Hubbard envisions could cost between $500 million and $700 million. Programming would come at a substantial additional cost. The conventional wisdom holds that costs to a home subscriber of satellite-delivered services will have to be in line with those charged by the cable companies, but that's not a problem if enough people sign on. "As few as 2 million subscribers can make a profitable DBS business," says industry consultant Michael S. Alpert, president of Alpert Associates.

On the home equipment side of the equation, General Instrument, manufacturer of the industry standard VideoCipher descrambler, introduced an updated version of the product in 1989. "despite early pessimism, the new VideoCipher II Plus descrambler has withstood repeated attempts to compromise its software," says David Bross, editor of *Satellite News*.

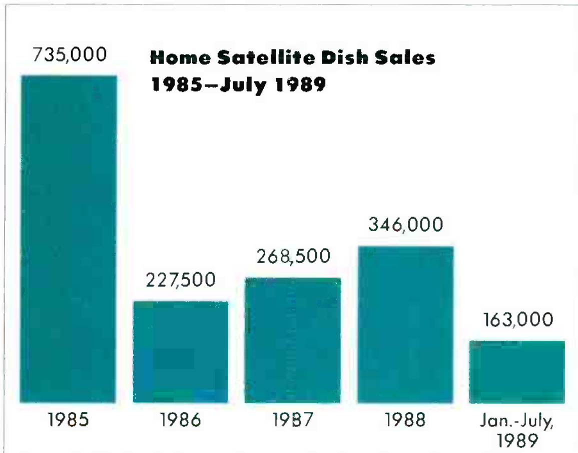
The success of the new descrambler in thwarting piracy has dampened the enthusiasm in Congress and the FCC for establishing an industry standard—the sense is that because of its effectiveness, the VideoCipher II has become a de facto standard.

Improvements in technology have lessened the threat piracy poses for the home dish industry. The pirates are still around, but now eschew the high-profile antics of signal thieves of the past. Present-day Captain Midnights are keeping a much lower profile. It's easy to forget how vulnerable the industry was to piracy only a year ago.

With piracy less of an issue, other questions have moved to the forefront of industry discussions. Top of mind is how a battle for market share between the established C-band universe and the potential Ku-band challenger would shake out.

Major programmers that supply the cable industry have signed up for capacity on new C-band satellites that promise to keep the bulk of entertainment fare on the older frequency for the next decade. But these same programming sources also make their wares available in varying degrees to other delivery mediums, among them wireless cable and SMATV. And in the future you will certainly be able to add high-power DBS operators to that list.

Predictions of who'll prosper and who'll perish may be premature for satellite-based programming suppliers. But for viewers, one outcome seems assured in the coming decade: increased programming diversity offered through a variety of competing home satellite delivery mechanisms. SCOTT CHASE



Source: Satellite Broadcasting and Communications Association of America (SBCA).

VIDEOCASSETTE RECORDERS

Ergonomically Speaking

With the VCR market nearly saturated, manufacturers make machines user friendly to stimulate sales.

Nielsen's bean-counters now find VCRs in 65.8 percent of U.S. TV households, according to July 1989 figures. With the market approaching saturation, manufacturers are searching for ways to keep the machines moving. VCR designers, meanwhile, have finally realized that the tuner/timer function on most machines is too complicated for the average consumer.

The result: VCRs purportedly more friendly to the user. The various strategies touted range from the mundane to the exotic.

Sharp offers a VCR with a remote that is "voice activated"—instead of pressing tiny buttons to program the timer, users *talk* to it. Panasonic has several VCR models with "bar-code programming," using codes printed in local cable guides. The consumer electronics giant has other models that allow users to program the tuner/timer remotely with a touchtone phone.

This new emphasis on ergonomics is in part a response to the maturation of the VCR market. "There's a healthy replacement market out there," suggests Tom Lauterback, vice president of communications of the Electronic Industries Association.

The VCR market won't disappear, but the real action is in camcorders. Lauterback explains that while price reductions have made camcorders the fastest growing part of the recorder market, tabletop decks long ago "took the hit and each additional percentage point of penetration has been harder to acquire." The EIA estimates VCR sales will be flat through 1990, lingering between 12.6 million to 12.8 million units. Camcorder sales are up almost 25 percent this year at 2.5 million units. The EIA projects that number will grow to 2.8 million in 1990.

New technology will continue to drive VCR sales. When HDTV debuts, the industry will be ready with the "digital VCR." So-called digital VCRs on the market now are digital in name only; all they've got are digital *effects*. True digital VCRs will record a video signal digitally. Professional users have already been using Ampex's and Sony's industrial digital format for years. Digital-VCR technology will become inevitable when phone companies start piping digital HDTV into American households via fiber-optic lines some time after the year 2000.

Back in the 20th century, VCR makers are trying to tempt consumers with combination TV/VCRs. Some of these units contain mini-TVs with liquid-crystal display screens of three inches or so. Most mini-TV/VCRs, such as Sony's Video Walkman, use the two-hour 8mm minicassette, though the VHS camp has struck back with a few units using the 30-minute Compact VHS cassette.

Frills and hybrids notwithstanding, the real bargain in the VCR is the stereo machine. A VHS hi-fi recorder with high-quality stereo recording and broadcast reception retailed at about $1000 just a few years back. Now the going price has dipped as low as $400.

Meanwhile, there is stepped-up hype surrounding the videodisc. Video pundits have been singing "the year of the disc" refrain since the debut of the LaserVision videodisc format in 1978, but in '89 the claim had some credibility. Once only Pioneer championed the laser-read videodisc, but nowadays LaserVision—rechristened CD-Video—numbers Philips, Sony, Yamaha, Mitsubishi and Sharp among its hardware supporters. The recent reinvolvement of Philips, the format's inventor, and the entry of Sony should give the laser format a much-needed boost.

The outlook is equally bright on the "software" (programming) side. Pioneer (in the form of its LaserDisc Corporation of America) has been joined by a second major disc distributor, Image Entertainment, as well as the European conglomerate PolyGram. Disc-pressing capacity has been repeatedly increased at Pioneer's plant in Carson, Calif., and Sony's CD plant in Terre Haute, Ind., plans to start pressing videodiscs in 1990.

Videodisc manufacturers are determined to make their mark in the new world of HDTV. Martin Greenwald, the visionary president of Image Entertainment, is putting money into high-definition video transfers for disc release. He may have HD discs ready by 1990, in the Japanese-developed MUSE format, for those hardy videophiles willing to import high-def TVs and disc players from Japan via the "grey market." For big spenders and risk-takers, the future is almost now.

MARK FLEISCHMANN

Home Video Software Sales

Year	Videocassette Units Sold	Videodisc Units Sold*
1986	13,174,000	85,000
1987	13,306,000	100,000
1988	12,792,000	120,000
1989*	12,600,000	180,000
1990*	12,800,000	215,000

Source: Electronic Industries Association.
*Estimated

YOU'VE SEEN THIS AD EARLIER IN THIS ISSUE, BUT THE NEWS IS SO GOOD, WE WANT YOU TO SEE IT AGAIN!

CRITICS LOVE IT!

"The acting and production values are first-rate."
—Ray Richmond, LA Herald Examiner

"A good viewing bet."
—Kay Gardella, The NY Daily News (on "The Saint")

"...The kind of original programming that cable channels have used to cut the network audience share to current All-Time low..." *—Paul Lomartire, Palm Beach Post*

"Quite well written and engagingly acted."
—Henry Sheehan, Hollywood Reporter

"Quality stuff."
—John Vorhees, Seattle Times

"Ian McShane gi[illegible] perform-ance. He's a f[illegible]ancis stories."
—Ka[illegible]

"Dic[illegible]olid, inviting mysteries written[illegible], engaging style. The Blood Sport m[illegible] is in the same vein."
—Daniel Ruth, Chicago Sun Times

STATIONS & ADVERTISERS SUPPORT IT!

"Mystery Wheel is syndication as it sh[illegible]ld be, with quality produced, captivating, fi[illegible]ograms."
Michael A. Browner, General [illegible] Operations [illegible]poration

"We think that [illegible] Adventure represents th[illegible]n programming that yo[illegible]oday."
Michael Alexander
[illegible]nt & General Manager, WWOR-TV

"[illegible]ajor appeal to adult viewers with these [illegible] mystery dramas—and I think they are [illegible]AT!"
Vicky Gregorian, Program Manager, WSVN-TV, Miami, FL

"These movies are an excellent alternative to network programming. It enables us to present first-run quality movies to our viewers."
Doug Johnson, General Manager, WXON-TV, Detroit, MI

"Having first run, quality primetime programming falls right in with our programming philosophy."
Penny Haft, Vice President/General Manager
WTTO-TV, Birmingham, AL

THE NUMBERS PROVE IT!

*MYSTERY WHEEL TOPPED THE OCTOBER '89 PRIME MOVIE AVERAGES IN...

New York/WWOR + 11%
Detroit/WXON +32%
Miami/WSVN + 1%
San Francisco/KBHK + 8%
Houston/KTXH + 9%
...and others!

MYSTERY WHEEL OF ADVENTURE™

*Mystery Wheel was one of the top 10 prime movies of Oct. '89 on all of those stations, plus
Los Angeles/KCOP
Philadelphia/WTXF
Boston/WSBK
Washington/WTTG
Denver/KTVD
Phoenix/KUTP
...And Many More!

*Plus, Mystery Wheel ratings are growing nationally... Up +16% OVER ITS DEBUT WEEK!!!

DICK FRANCIS MYSTERIES™

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Source: Nielsen overnights 9/28–10/25; NSS, 10/9–22

LOOK FOR EXCITING NEW ELEMENTS FOR THE '90–'91 SEASON!

Behind the Buzzwords

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

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

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

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

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

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

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

Back-end: see "ancillary markets."

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

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

Bicycling: distribution of film or videotape programs to stations or cable headends by means other than electronic interconnection, such as air, land freight or mail.

Break-up value: or private market value, the estimated worth of a company's holdings based on the price assets would command if sold separately.

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

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

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

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

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

Clutter: all of the non-program elements within a given program or time period, e.g., promos, commercials, billboards, and network or station i.d.'s.

Coincidental ratings: ratings based on information obtained from viewers at the time of broadcast, usually through telephone interviews.

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

Comparative renewal: the process in which the FCC decides whether to renew a broadcaster's station license upon its expiration, or to award it to a rival applicant.

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

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

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

DAT: Digital Audio Tape; audiocassette format available in Japan but still in gray market in U.S.

DBS: Direct Broadcast Satellite; transmits TV signals directly to dishes at viewers' homes. Usually a high-powered satellite that can be received with small dishes.

DMA: Designated Market Area; a viewing region defined by Nielsen Media Research (corresponds to ADI).

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

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

Fairness Doctrine: the rule repealed in 1987 by the FCC that required broadcasters to devote airtime to important controversial issues and to air contrasting views on those issues.

Fiber optics: transmission lines made of thin glass fibers optimized to carry light waves.

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

First-run syndication: distribution of programs produced for initial release in syndication. Compare "off-network syndication."

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

Grazing: the act of constantly flipping through TV channels, watching several shows at once, brought on by the ease of remote-control units and the wider viewing selection that cable TV offers.

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

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

Hertz: cycles per second; a measure of electromagnetic frequency representing the number of complete electrical waves in a second. One kiloHertz (kHz) is one thousand cycles per second.

HUT: Homes Using Television; the percentage of TV homes with one or more sets in use at a given time.

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

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

Interconnect: a cooperative venture in which two or more cable operators jointly sell advertising over their cable systems.

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

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

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

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

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

Local-origination channel: a channel programmed by a cable system, whether a public access channel, an advertiser-supported entertainment channel or a hybrid.

Low-power TV: TV stations licensed by the FCC to use low transmitter power, usually in areas not locally served by full-power stations.

Major market: one of the 50 largest metro areas in numbers of TV households.

MSO: Multiple System Operator; a company that operates more than one cable TV system.

MMDS: Multichannel Multipoint Distribution Service; a TV delivery system using line-of-sight microwave with four or more channels operated by a single company, often called "wireless cable." Similar to ITFS.

Must-Carry Rule: a former FCC requirement that a cable system carry certain qualified local over-the-air TV stations.

Network: a program distributor interconnected with stations under different ownership for simultaneous broadcast. A narrower FCC definition says a network distributes at least 15 hours of programming a week to at least 25 affiliates in at least 10 states.

Network compensation: networks' payments to affiliated stations for airing network programs and commercials.

Off-network series: former network programs now syndicated.

O&O: a television station owned and operated by a national network.

Optical discs: recording media including CDs and videodiscs that store information in patterns of microscopic pits, which can be detected by a low-power laser beam and reproduced as sound, images or computer data.

Overbuild: a cable system built in an area where another firm already has established service.

Overnights: Nielsen's metered market service.

Pay cable: program services supported by optional extra subscriber fees.

Pay-per-view: programs purchased by subscribers on a per-program rather than per-month basis.

People meter: an "electronic diary" now used by ratings services to record demographic viewer data (viewers push buttons to identify themselves) as well as the channel-tuning data that earlier meters collected.

Penetration: in a given population, the percentage of households using a product or receiving a service.

Pod: the group of commercials and announcements in a break during programming.

Preemption: replacing a network show with another program, a station practice frowned upon by networks.

Prime time: in practice, the three evening hours (four on Sunday) programmed by the broadcast networks, 8 to 11 P.M. Eastern or Pacific Time, and 7 to 10 P.M. Central or Mountain Time, Monday through Saturday, starting an hour earlier on Sunday.

Prime Time Access Rule: an FCC rule forbidding network affiliates from carrying more than three hours of network programs and off-network reruns (with some exceptions) in the four hours starting at 7 P.M. E.T.

PUT: Persons Using Television; the percentage of persons in TV households using sets at one time.

Rating: estimated percentage of the universe of TV households (or other specified group) tuned to a program at one time.

Reach: percentage of audience exposed to an ad or program in a given period.

Rep firm: or station representative, a company that sells time on local stations ("spot time") to national advertisers.

Scatter market: unsold national ad time on the networks that remains after the preseason "upfront" buying period.

Scrambling: altering a TV signal transmission so it can't be received without an operating decoder.

Share: estimated percentage of "HUT" watching a program. Compare to "rating."

SMATV: Satellite Master Antenna Television, or "private cable;" a miniature cable system that receives programming by satellite and serves a housing complex or hotel.

Spot time: commercial advertising on a local station purchased from the station or a rep firm.

Stripping: scheduling a program (usually syndicated) at the same hour every day or every weekday.

STV: Subscription TV; a broadcast TV station that transmits a scrambled signal for reception by paying viewers who own special decoders.

Superstation: a local TV station whose signal is satellite-delivered to cable systems across the country.

Syndicated Exclusivity Rule: "syndex," an FCC rule that requires a cable system bringing in distant signals to black out syndicated programming for which a broadcaster owns exclusive local rights if the broadcaster requests a blackout.

Teletext: broadcast of text and graphics along with a TV signal for reception on specially equipped sets.

Tender offer: a public offer to shareholders to buy their stock, often used in hostile takeovers.

Tiering: combining cable channels, sometimes both basic and pay, to sell at a package price.

Transponder: a satellite component that receives and retransmits a TV signal or perhaps many narrower-band data channels.

TVQ: a national survey which measures the recognition and popularity of television programs and personalities.

TVRO: Television Receive Only; a satellite receiving antenna, also known as a downlink or a backyard dish.

UHF: Ultra High Frequency; the band including TV channels 14 through 83.

Upfront market: annual preseason purchasing of commercial time, for which audience levels are guaranteed.

Uplink: to transmit to a satellite for relay; also, the dish used to transmit.

VBI: Vertical Blanking Interval ; 21 lines in the TV picture not used to carry video. Some are used to control the TV receiver and others can carry teletext.

VHF: Very High Frequency; the band including TV channels 2 through 13, which are more powerful than UHF channels.

VHS: Video Home System, the leading consumer videocassette format. Like the less popular Beta format, VHS uses half-inch tape.

Videotex: an interactive service connecting a TV set and decoder by phone lines or cable TV to a central computer, providing textual information and various transactional services.

Window: the period during which a network or other distributor has contractual rights to show a program.

Zapping: changing the channel by remote control to avoid a commercial.

Zipping: fast-forwarding through commercials when playing back a program on a VCR.