

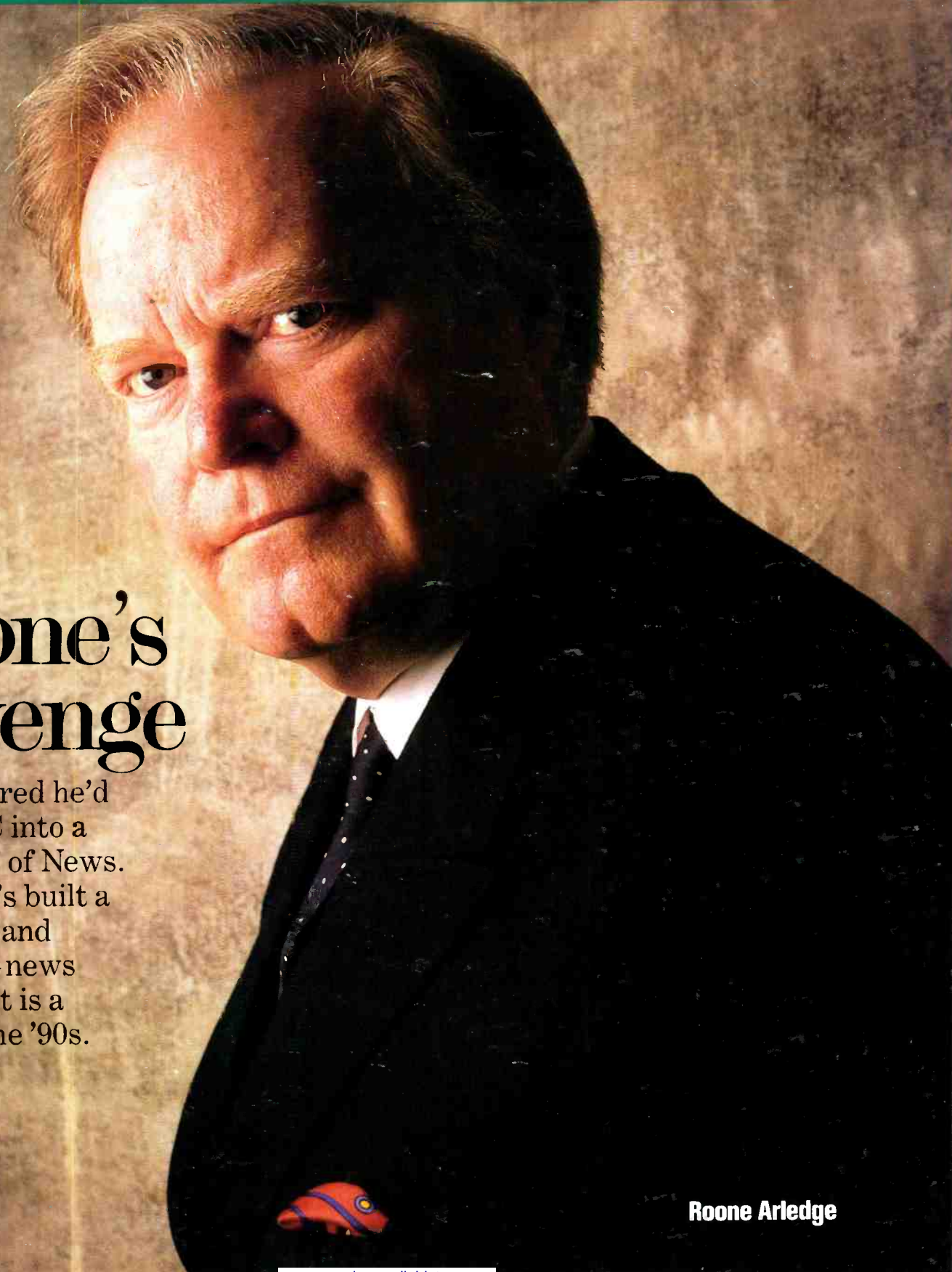
IN FOCUS: New Frontiers for MSOs

CHANNELS

MARCH

THE BUSINESS OF COMMUNICATIONS

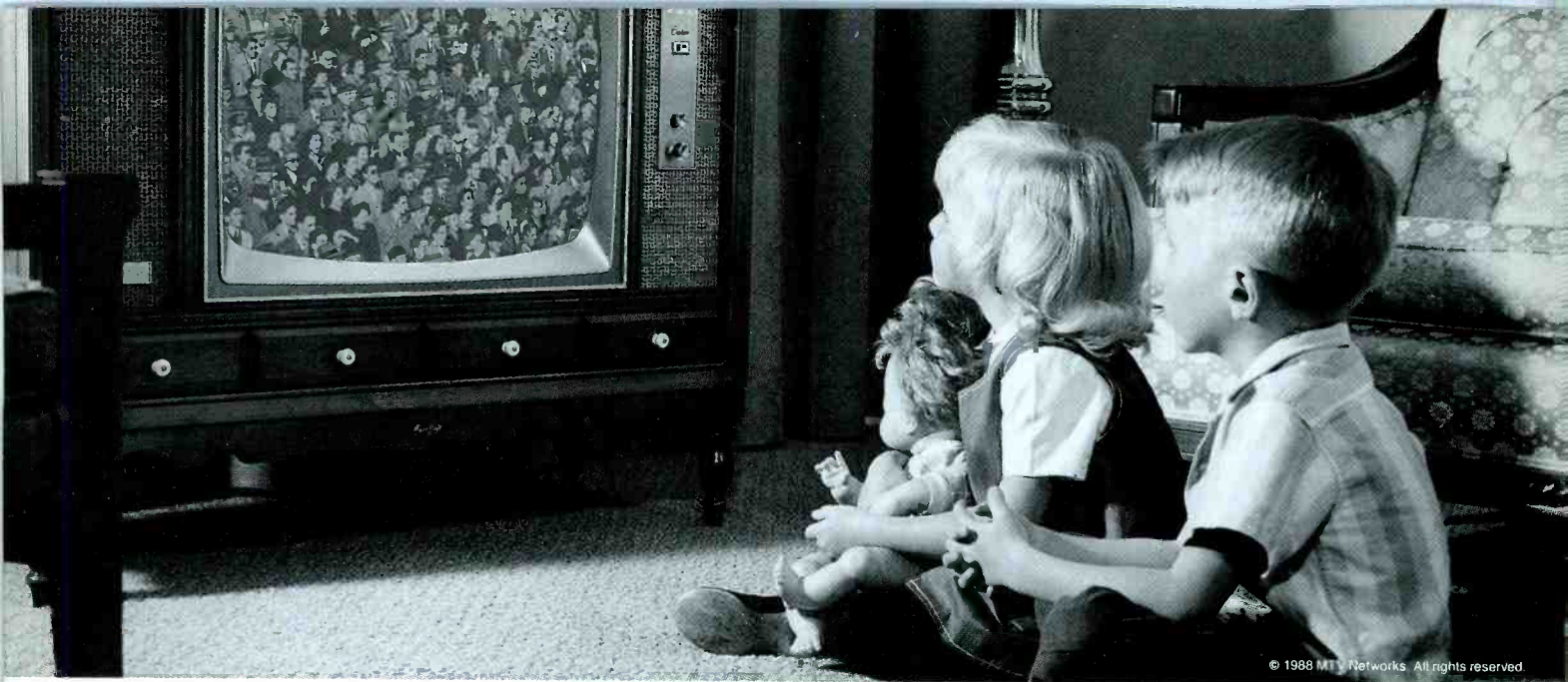
1989



Roone's Revenge

Legions feared he'd slow ABC into a Wide World of News. Instead, he's built a dominant—and profitable—news division that is a model for the '90s.

Roone Arledge

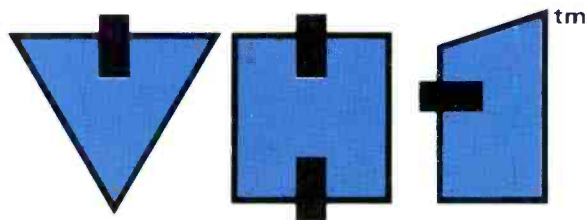


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The first generation to grow up with TV ...



is now the first generation to have its own channel.



Because Baby Boomers deserve their own channel.

CHANNELS

THE BUSINESS OF COMMUNICATIONS

VOL. 9, NO. 4

MARCH 1989



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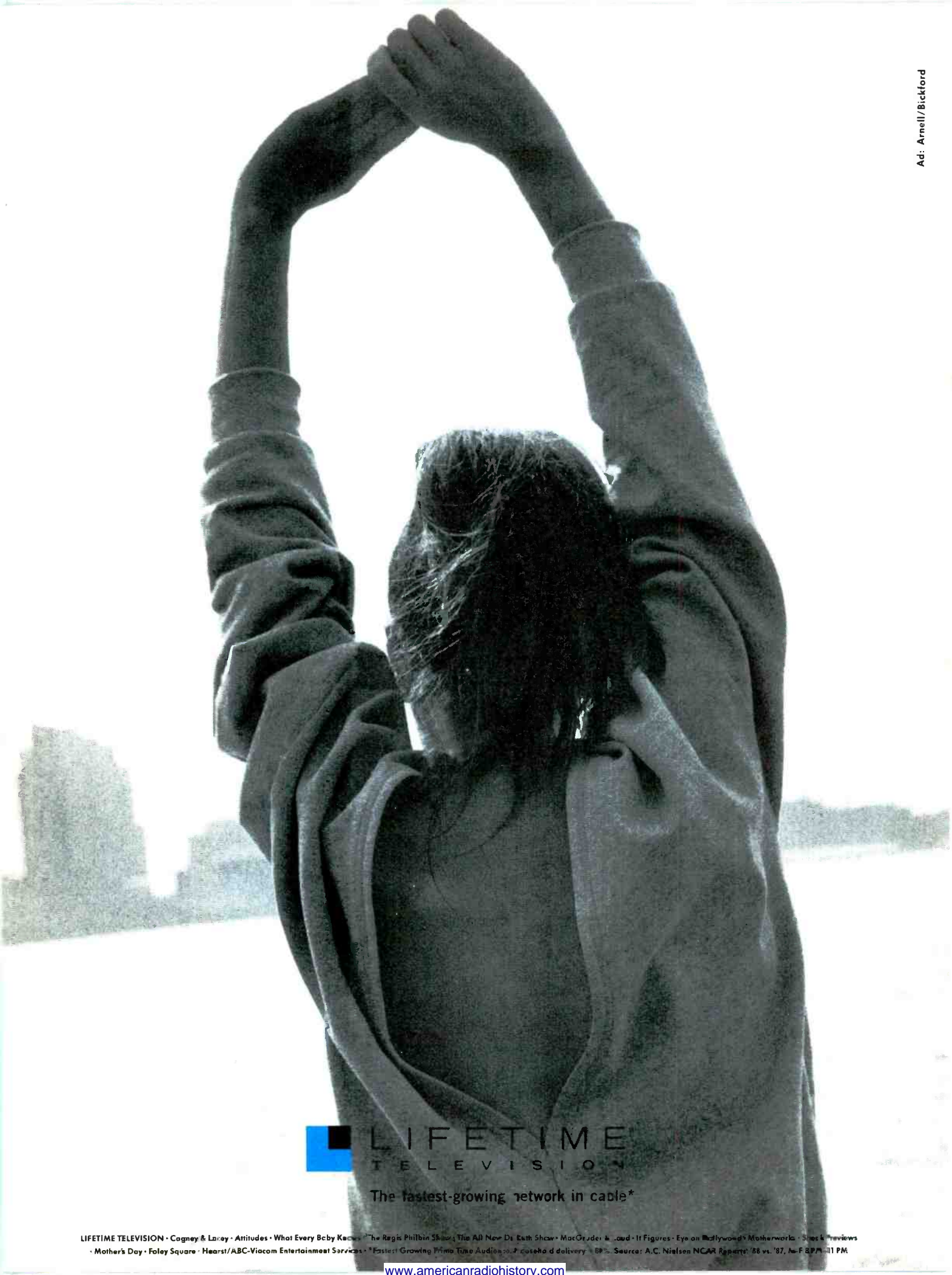
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Ask tough questions.
Risk failure.
Look beneath the surface.
Avoid bow ties.
Take chances.
Go against the grain.
Trust your instincts.
Buck trends.
Wear black to the office.
Make waves.
Fight gravity.
Tell 'em to get their own coffee.
Rock the boat.
View panty hose as optional June-August.
Puncture the pompous.
Don't answer to "honey."
Wear leather to big meetings.
Be vocal.
Get even.
Act silly occasionally.
Remember: Rock 'n' roll is therapy.
When in doubt, wear heels.
Radiate intelligence.
Hold out.
Don't date men with pinky rings.
Demand equality.
Always accept cashmere.
Recommend Murphy Brown.



December, 1988

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of Tulsa, Oklahoma
has been merged with

TELE-COMMUNICATIONS, INC.

of Englewood, Colorado

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COMMUNICATIONS
EQUITY
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December, 1988

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\$400,000 SENIOR SUBORDINATED DEBT,
\$400,000 LIMITED PARTNER EQUITY**

and

\$300,000 GENERAL PARTNER EQUITY

has been arranged for

DINWIDDIE CABLE PARTNERS, L.P.

Dinwiddie County, Virginia

The undersigned acted as financial advisor to the borrower in this transaction.

This notice appears as a matter of record only.

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1133 20th Street, N.W., Suite 260, Washington, DC 20036 202/778-1400
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COMMUNICATIONS
EQUITY
ASSOCIATES

CHANNELS

THE BUSINESS OF COMMUNICATIONS

Editor

MERRILL BROWN

Executive Editors

PETER AINSLIE, JACK LOFTUS

Managing Editor

JOHN FLINN

Senior Editors

KIRSTEN BECK, J. MAX ROBINS

CHUCK REECE

West Coast Editor

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Assistant Editors

MICHAEL BURGI, RICHARD KATZ

Contributing Editors

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Photo Research

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Advertising Sales Offices

New York: 19 West 44th St., New York, NY

10036, 212-302-2680; Fax 212-575-2965 West Coast: 1800

Century Park East, Suite 200 Los Angeles, CA 90067

213-556-1174; Fax 213-553-3928

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President

PAUL DAVID SCHAEFFER

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When Is a Hot Net Not So Hot?

A new service selling discounted avails has reps in a rage.

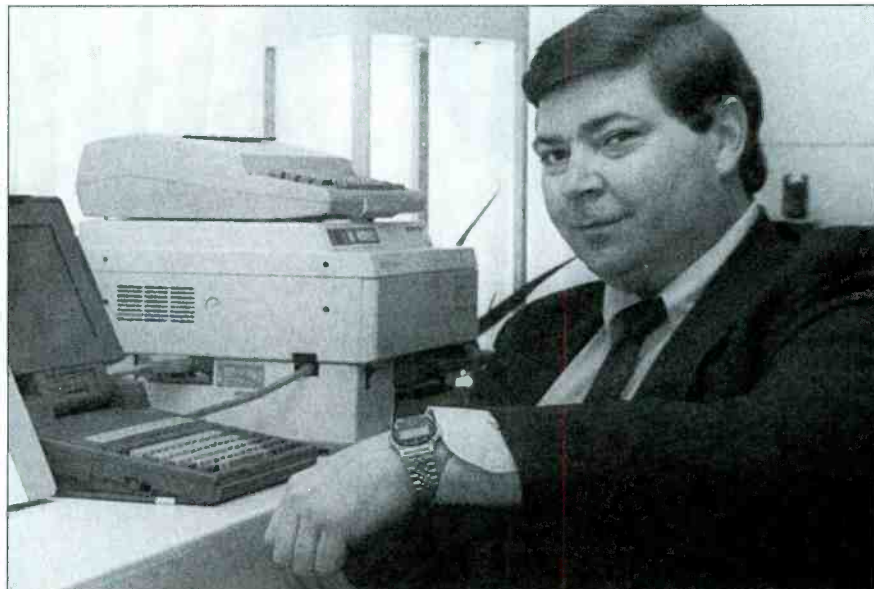
There they were, hot-looking Vegas showgirls prancing around the lobby of Las Vegas' Bally's Hotel touting a new act called Hot Net. Who said the television-sales business was dull? Not Duane Loftus. After getting ejected from the Television Bureau of Advertising's recent convention for bringing his offbeat show to town, Loftus, flanked by lawyers, muscled his way back in and put on some act. Ad agencies and media time buyers ate it up. Stations couldn't decide what to make of it. And the reps? "I think it stinks," snorted Petry's Dave Allan.

The brouhaha is over the way radio and TV ad time is bought and sold. Loftus' electronic marketing service, Hot Net, targets discounted, last-minute avails. Stations, armed with only a computer, enter unsold inventory and prices. Agencies access the system and buy time right off the screen.

Hot Net's data is controlled by the stations, which supposedly can't see what competitors are listing; stations can also list data about the market, station, programming and so forth. And, Hot Net is sold only to agencies and time buyers, not advertisers.

Hot Net, which began pitching its service to stations in March, after raising more than \$1 million in investment capital, already has a big chunk of the equation on line, including Young & Rubicam, Foote, Cone & Belding, McCann-Erickson and others.

Not everyone thinks Hot Net is so hot. Reps—already under assault from agencies looking to buy national spot directly from stations; from stations under pressure to lower rep commission rates; and from the networks, making noises about going into the rep business—well, the reps greet Hot Net with all the enthusiasm of a fresh breath of mustard gas.



Duane Loftus and Hot Net hardware: Does it stink or is it a quantum leap into the present?

So when Loftus showed up at the TvB convention, the reps, who hold five seats on TvB's board, rammed through a resolution cancelling his registration and hotel rooms. "I couldn't believe it," says Loftus. "Our lawyers were all over them . . . Collusion, restraint of trade. They knew we had 'em by the short hairs." Finally getting into the convention late and still not listed in the suites directory, Loftus hired the showgirls to hand out invites to come see Hot Net. "They even tried to get the showgirls thrown out," says Loftus, "but they couldn't because the girls worked for the hotel."

Harry Stecher, executive v.p., for Petry which represents 92 TV stations, calls Hot Net a "get-rich scheme . . . We know our stations and our markets, we serve the agency and the station, so we provide a value for both sides . . . We're not some wire transmitting electricity." Both Petry and Katz have threatened legal action and have warned their stations away.

One major rep, however, has already defected: Interrep Radio, which reps 1,800 radio stations. Interrep president Mark Guild calls Hot Net "a natural evolution for our business . . . There's little left to the imagination for those interested only in the numbers."

While most station executives are so far noncommittal about Hot Net, Chris Corsen, g.s.m. of Pittsburgh's KQV-AM, calls Hot Net "a quantum

leap into the present." David Carfolite, g.s.m. of L.A.'s KERO-TV, pokes fun at the reps: "This is the beginning of the end," he says. "You can almost hear the dinosaur gasping."

The real issue has little to do with computer technology. The broader question is what happens when stations offer national spot time further out on the schedule, and when buyer and seller begin talking directly. That will be some show. JACK LOFTUS

A Reality Show Goes to School

In development, a Fox show that chronicles high school life.

Barry Diller knows a good thing when he sees it. Having scored high ratings at low cost for his fledgling Fox network with *America's Most Wanted*, Diller has quietly put the show's executive producer Michael Linder on a new project that Diller hopes to premiere this fall. Linder has been checking into integrating young actors into a public high school in an as yet unidentified town, where they would become friendly with regular

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students and live in local houses. Then cameras would follow both the actors and the students into classrooms, out to football practice and into their rooms at night to do whatever it is that high school students do at night.

Inspired by Fox's recently unveiled *Cops*, in which cameras follow real police officers through their days and even into intimate nighttime moments, Linder indicates his new show might mix scripted material with real-life incidents and improvisational acting. "It's *TV 101* done for real," says Linder. In fact, he says, Fox hopes to recruit the real students to help write the show. He says they might be given the prem-

ise, for instance, that a gay teen has decided to go public. In return for its cooperation, Linder proposes that Fox "endow" the high school with video equipment, while studio executives teach a class in television production. Would that extend to helping the students enroll with Hollywood's guilds, or does Diller still remember last summer's writers' strike, when producers reportedly sent notices to film schools seeking nonunion writers? Linder says that's yet to be resolved. Asked for the Writers Guild's reaction, spokeswoman Cheryl Rhoden broke into laughter. Recovering, she added, "End quote. Can you print that?" NEAL KOCH

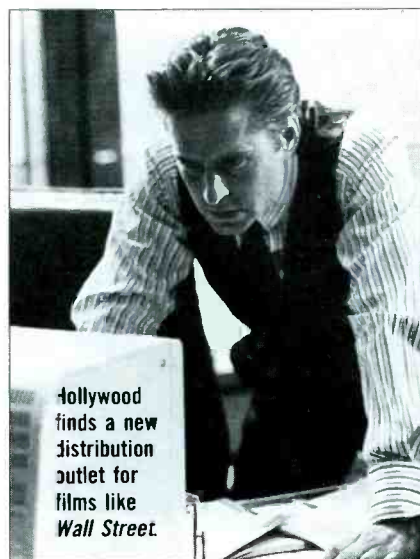
Hollywood Reaps a Windfall From Television's Richest Endeavor

Two DBS services in the U.K. open a new revenue window.

An ad appeared in a television trade magazine last December, paid for by a year-old company called British Satellite Broadcasting (BSB) that made this jingoistic claim: "In exactly twenty-one months' time, a major tremor will strike California. The British government would like to accept full responsibility. This tremor will be no disaster . . . It could represent one of the film industry's largest ever sources of income."

BSB executives ran the ad to announce that program and movie buyers from the U.K., recently encouraged by a government white paper, would soon be swarming Hollywood on a shopping spree. And that part about "largest ever sources of income" was not just puffery. In just four months last year, BSB racked up contracts that will pay Hollywood studios nearly \$700 million for films by 1994. (The pay-TV service Home Box Office, by comparison, spent less than \$400 million for exclusivity contracts in 1986.

This giddy expenditure by BSB is possible because leaders in the European television industry believe that direct-broadcast satellite technology (DBS) will explode on the continent the way cable did in the U.S. ten years ago. BSB's owners, which include Austra-



lian media mogul Alan Bond, British electronics retailer and broadcaster Granada Group, U.K. publisher Pearson and French publisher Chargeurs, plan to spend about \$1.1 billion to launch the high-powered BSB satellite and deliver its three new channels beginning this fall. If successful, they project a staggering \$1.4 billion dollars in annual revenue by the year 2004.

BSB's competition in this, the richest

endeavor in television history, is none other than media baron Rupert Murdoch, whose Sky Television began operating five new DBS channels via the Luxembourg-based Astra satellite last month. Murdoch's pay-movie channel, Sky Movies, has access to his 20th Century Fox catalogue, to Orion films and has reached a partnership agreement with Disney that includes access to Touchstone films. Also at Sky's disposal (after 1990) are Warner Bros. movies and more than 80 of New World's films. Sky acquisitions director Stewart Till figures that the channel now has 80 to 90 percent of the titles it needs to program its first year.

In BSB's camp are MCA/Universal and Paramount (sold together for \$300 to \$400 million through UIP, a London-based licensing company owned by Universal, Paramount and MGM/UA); Columbia/Tri-Star (\$160 million); MGM/UA (\$100 million) and a handful of independents including Cannon and David Puttnam's new London studio, Enigma. The distribution window for most of the deals opens about 12 months after the home-video release.

Most observers of the satellite wars are betting that only one company will survive. Because incompatible technologies are being used, consumers will need two separate dishes to receive Sky and BSB.

But the certain winners in the exclusivity contest are Hollywood studios. "I'm not confident it will make money for its owners," says Columbia's international sales chief Nick Bingham. "But it will make money for us."

And it's money that won't cannibalize other revenue streams. Says MGM/UA Telecommunications chairman Norman Horowitz, "However it comes down, it's a major add-on to the U.S. revenue flow. Unlike cable in the U.S., which ate into network revenues, it's new money, since network revenues in the U.K. were not too significant. Foreign sales have been noncompetitive, and now we're in a bidding war."

The bidding war will continue, according to representatives of Sky and BSB, because even if one service dies, new terrestrial outlets in the U.K. and elsewhere will keep prices high. "We have had to be very aggressive," says Till. "These negotiations are the best thing that's happened to Hollywood in ten years." KEVIN PEARCE

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YEAR
FOR DANIELS.**

**\$2.4
BILLION IN
TRANSACTIONS.**

SELLER	BUYER	TRANSACTION PRICE	SELLER	BUYER	TRANSACTION PRICE
Plainview Cable	Sold to Mark Twain	Not disclosed	Greene Comm.	Sold to C-4 Media	Not disclosed
Wabasha Cable	Sold to Mark Twain	Not disclosed	Shaver Lake Cable TV	Sold to Westar Comm.	\$1,200,000
Hauser Comm.	Financing	\$21,000,000	National TV Comm.	Sold to Northwoods Cable	Not disclosed
Westel	Sold to Mark Twain	Not disclosed	Daniels Cablevision	Sold to United Artists	\$192,000,000
Alleghany	Sold to Adelphia	\$1,815,000	Quincy Cablevision	Sold to Pacific Sun Cable	\$3,800,000
Commonwealth	Sold to Adelphia	\$7,755,000	US Cable	Sold to TeleCable	\$17,000,000
Redco	Sold to Alleghany	\$1,520,236	Southcom TV	Sold to Heritage Comm.	\$423,150
Weststar	Sold to Jones Intercable	\$19,000,000	Cross Country Cable	Sold to TCI	\$60,000,000
Tele-Media	Financing	\$9,000,000	Port Angeles Telecable	Sold to Northland Telecomm.	\$30,000,000
Valley View Cable	Sold to Jones Intercable	\$500,000	E-Z Vision Inc.	Sold to Galaxy Cablevision	\$2,000,000
Mark Twain	Financing	\$32,500,000	Pomeroy Cablevision	Sold to Cooke Cablevision	\$1,115,200
Vista Vision	Sold to Cable Sys USA	Not disclosed	Waitsburg TV Cable	Sold to Cooke Cablevision	\$1,320,000
Miller's TV Cable	Sold to Charter Cable	Not disclosed	San Juan Cable TV	Sold to James Comm.	\$1,600,000
Midway Cable	Sold to Universal Cable	\$2,100,000	Weston & Athena	Sold to Cooke Cablevision	\$1,183,200
Tele-Media	Financing	\$140,000,000	Pioneer	Sold to Harron Comm.	\$17,523,375
Alabama Cable	Sold to Alabama Partners	\$16,000,000	Adelphia	Financing	\$60,000,000
TCI Systems	Sold to ACT 5	Not disclosed	Edgewater Cable	Sold to Westmarc	\$1,000,000
Adelphia	Financing	\$61,000,000	Chambers/Idaho	Sold to Weststar	\$5,500,000
Savage Comm.	Financing	\$2,700,000	Microcom Inc.	Sold to Mission Cable	\$1,218,000
Vantage Cable	Sold to Triax Comm.	Not disclosed	Hooker TV	Sold to Mission Cable	\$1,040,000
El Monte Cablevision	Sold to Liberty Comm.	\$6,000,000	ACI Inc.	Financing	\$2,675,000
Southgate Cablevision	Sold to 360 Corp.	\$7,000,000	Stehle's Cable TV	Sold to Helicon	\$2,793,500
Port Townsend	Financing	\$6,000,000	Los Alamos Cable	Sold to Falcon Cablevision	\$550,000
Cygnus Comm.	Sold to Satelite Movie Co.	\$265,000	Harron Comm.	Financing	\$17,500,000
ACI Inc.	Sold to Warner Cable	\$23,100,000	Northwest Phoenix	Sold to Insight Comm.	\$125,000
Triax	Financing	\$178,000,000	Adelphia	Financing	\$250,000,000
Lakeshore	Sold to Prime Cable	Not disclosed	Sun City	Sold to Republic Comm.	\$550,000
Clearview	Financing	\$2,850,000	Westmarc	Financing	\$750,000,000
Shaddix TV Cable	Sold to Charter Cable	Not disclosed	LeGrande Cable	Sold to United Artists	\$187,500
			Kirkwood Cablevision	Sold to Weststar	Not disclosed
			59 CABLE TRANSACTIONS		\$2,079,480,000
			21 MOBILE TRANSACTIONS		\$320,807,000
			80 TOTAL TRANSACTIONS		\$2,400,287,000

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& ASSOCIATES**

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What's On

M • A • R • C • H

Jeopardy's Radio Vision *by Richard Katz*

MARCH 20: Some things come full circle. As television usurped radio's hold on national advertising in the early 1950s, it also appropriated some of radio's most popular programs, such as *You Bet Your Life* starring **Groucho Marx** and *Amos 'n' Andy*. Radio gets some revenge today as **Jeopardy! On Radio** makes its debut. Executive producer **John Chanin** says that the brainchild of the show was former **ABC Radio** news reporter **Risa Jill Miller**: "She was home taking care of her kid and found herself playing along with *Jeopardy* without ever looking at the TV screen. She took the idea to me after she tried the other game shows and found *Jeopardy* worked the best without the visual." The radio version will feature the soundtracks of repackaged *Jeopardy* TV shows, with a few minutes of fresh **Alex Trebek** dialogue added to let listeners call their local radio stations to play along and win prizes. By mid-January, *Jeopardy! On Radio*, which is being offered by Jeopardy! Partners Inc., Washington, D.C., had cleared 96 markets covering 43 percent of the country.

APRIL 1: The third annual **National Cable Month** kicks off its comprehensive "30 Days of Great Nights" schedule with what cablers hope will be one of the most widely watched single commercials of all time: at 8 P.M. eastern time, over 40 cable networks will air a 30 second "road-block" spot simultaneously announcing the festivities to come. Each night in April a different cable network (some networks will have to share the same night), beginning with **Nickelodeon** and ending with **The Disney Channel**, will highlight its best programming on its normal cable channel location. **Jim Boyle**, spokesman for the **National Cable Television Association**, which is co-sponsoring the event with the **National Academy of Cable Programming**, expects about three-quarters of the nation's cable systems to participate in the event. The pay services are expected to open their distribution that night to all basic subscribers, but recent motion pictures may be withheld due to contractual agreements with movie suppliers.

APRIL 15: After moving the date back several times, **NBC** finally launches its **Consumer News and Business Channel**. The new network claims it will not be in direct competition with **Financial News Network** because **CNBC** will feature product information and personal money-management tips rather than just business news. **NBC** did attempt to launch a purely news cable service three years ago with **NBC Cable**, and it was a bust. On weekends, **CNBC** has scheduled 24 hours a day of sports programming. According to **CNBC** spokesman **Joe Rutledge**, the cable network will draw

upon the "substantial resources" of the **NBC** sports department. In a unique move, **NBC** decided to bypass **CNBC** in awarding cable rights for the **1992 Olympics** in Barcelona in favor of three pay-per-view channels from **NBC's** new partner, **Cablevision Systems**. "By putting the Olympics on pay-per-view we won't infringe upon the exclusivity that we've provided our over-the-air advertisers and our affiliates," says **Rutledge**. But **John Mansell**, an analyst at **Paul Kagan Associates**, thinks **NBC** had a different motivation. "There's simply more money in pay-per-view," he says. ●

CALENDAR

March 21: American Advertising Federation spring government-affairs conference. Willard Hotel, Washington, D.C. Contact: Clark Rector, (202) 898-0089.

March 22: Broadcast Pioneers Mike Award dinner. Plaza Hotel, New York City. Contact: Edward DeGray, (212) 586-2000.

March 23: National Association of Black-owned Broadcasters fifth annual Communications Awards dinner. Sheraton Washington Hotel, Washington, D.C. Contact: Ava Sanders, (202) 463-8970.

March 28-30: New York Home Video Show exposition and seminar program for producers, distributors, mass merchandisers and retailers. Jacob K. Javits Convention Center, New York City. Contact: Ellen Greenfield, (914) 328-9157 or (800) 248-KIPI.

March 30: Federal Communications Bar Association monthly luncheon featuring international telecommunications panel, including Seth Blumenfeld, president, MCI International. Marriot Hotel, Washington, D.C. Contact: Patrice Lyons, (202) 331-0606.

April 4: Caucus for Producers, Writers and Directors general membership meeting, featuring FCC commissioner James Quello. Chasen's Restaurant, Los An-

geles. Contact: David Levy, (213) 652-0222.

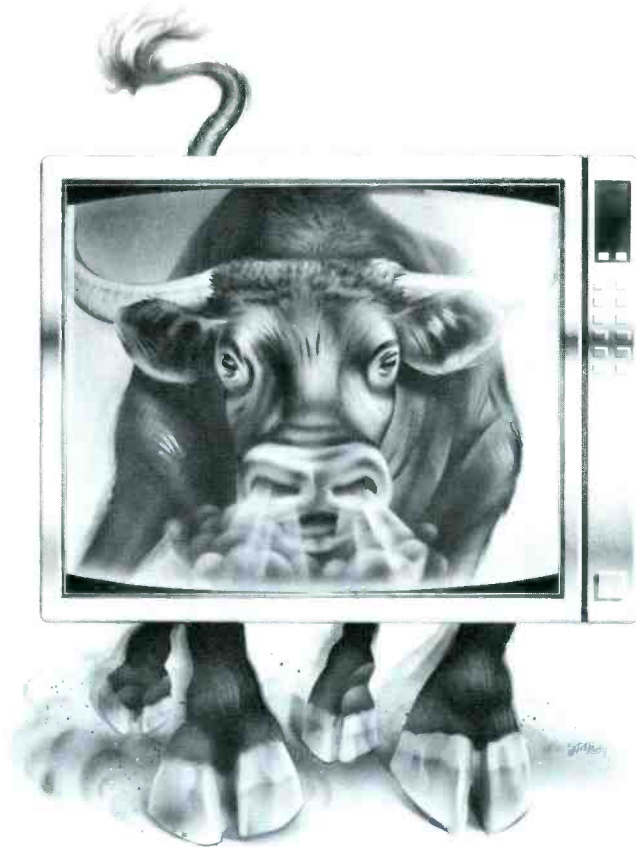
April 6: 53rd annual Ohio State Awards presentation, sponsored by the public broadcasting stations of Ohio State University, recognizing excellence in educational, informational and public affairs broadcasting. National Press Club, Washington, D.C. Contact: Phyllis Madry, (614) 292-0185.

April 6-7: Cable Television Law course presented by the Practising Law Institute. Hyatt Regency, San Francisco. Contact: Michele R. Kaufman, (212) 765-5700, ext. 271.

April 9-11: Cabletelevision Advertising Bureau eighth annual conference. Waldorf-Astoria, New York City. Contact: Vince Fazio, (212) 751-7770.

April 9-11: Public Television annual meeting, sponsored by the Public Broadcasting Service and the National Association of Public Television Stations. Sheraton Harbor Island East, San Diego. Contact: Jackie Willis, (703) 739-5082.

April 9-12: 29th annual Broadcast Financial Management/Broadcast Credit Association conference. Loews Anatole Hotel, Dallas. Contact: Mary Ghiselli, (312) 296-0200.



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The smart choice on cable.

Pitching USA Today

by Adam Snyder

Even Gannett's strong station group has struggled to find ways to tout the show.

WHO WHAT WHY WHERE WHEN WOW" appears on the TV screen, with the wow spinning toward the viewer, spewing as it comes such urgent news items as "Welfare for the Wealthy" and "Married to the Blob." Wow indeed. In January, four months after the ballyhooed debut of *USA Today: The Television Show*, a new agency, a new producer and a new look began another blitzkrieg intended to save *USA Today* from joining the ranks of TV's most spectacular flops.

The initial \$10 million promotional campaign and the enthusiastic support of the stations owned by Gannett, the paper's parent, hadn't been enough to lift the troubled program. Moreover, the campaign was as flawed as the show's early episodes.

Rarely has a syndicated program had as much going for it as *USA Today*. It was the first offering from GTG Entertainment, an alliance between Grant Tinker and media giant Gannett, owner of ten television stations and 87 newspapers. Early research showed that 95 percent of all Americans were familiar with *USA Today*, the newspaper. That, coupled with the star quality of GTG and the presence of former *Today* show executive Steve Friedman, persuaded 158 stations, covering 95 percent of the country, to sign two-year commitments without seeing a pilot. But then *USA Today: The Television Show* landed with a thud. Critics panned it, and although the promotional campaign and the popularity of its newspaper namesake led to respectable initial numbers, ratings sank quickly.

No one was more upset than the station managers at the nine Gannett-owned TV stations in Atlanta, Austin, Boston, Denver, Greensboro, Minneapolis, Oklahoma City, Phoenix and Washington, who had invested in the show not only time and energy but more than 300 gross rating points per week, about 30 percent more than average. (A tenth Gannett station, WTLV in Jacksonville, Fla., was acquired by Gannett in February, after



the program had been sold in that market to WJKS.) "There was no actual mandate from anyone at the corporate level to treat the show differently from other programs," says Harvey Mars, president and g.m. of WXIA in Atlanta. "But Gannett stations have a tendency to go in for promotions heavily anyway and in this case it was a matter of pride. We felt it was our show. We wanted it to succeed."

GTG's Jacobs: 'Ratings depend on the stories. If we can promote a program with Oprah Winfrey's wedding, our ratings that day will be high.'



"All 158 stations were urged to put in the same kind of promotional effort," says Peter Kohler, Gannett Broadcasting v.p. "Our stations were more likely to act on our suggestions." Promotional activities at the Gannett stations included more than just a barrage of gross rating points. Prior to *USA Today's* initial air date, many stations featured the show's four anchors on their local news. In Minneapolis, GTG used *USA Today* anchor Robin Young to produce reports for broadcast on

KARE's news. Washington's WUSA produced a series on the making of *USA Today*, which was picked up by other Gannett stations.

But the pre-debut fanfare only made the show's initial failings all the more aggravating, particularly at Gannett stations, which had a double-edged stake in its success. "Our stations were upset—no, make that very upset—when they saw the first shows," concedes Bob Jacobs, senior v.p. at GTG East, which produces the program. According to Joe Franzgrote, president and g.m. of Gannett's KARE-TV in Minneapolis, the show had "too many stories, too much fluff and not enough heart and substance."

The national promotional campaign was also found to be deficient. In the first place, in all 158 markets GTG offered to pay an aggressive 60 percent of all billboard, radio and newspaper co-op ads, but only if GTG bought and paid for the time itself and billed the local stations for their 40 percent share. "In retrospect," explains John Heinen, marketing and creative-services v.p. at WXIA, "maybe trying to control it all from New York was a mistake. They were offering us a great financial deal, but it may have hurt in the long run. No one understands a local market better than those of us there."

Even more of a problem were the promotional spots themselves. "The initial campaign simply announced that a magazine show based on the popular newspaper was on its way," says Ken Toning, president and g.m. of Gannett's KUSA in Denver. "But the fact that a show based on the newspaper existed wasn't enough. We felt we needed to tell people why they should dedicate a half hour, not simply where they could find the show on their dial." In Denver, Toning almost immediately began combining elements from GTG promotions with locally produced promos emphasizing specifics of that

day's show. The national promos soon caught up with what Gannett stations initiated locally. "The show is so promotable," explains Bob Jacobs. "It's not like a game show, which is always the same. If someone watches a game show and doesn't like it, he won't watch it the next day. But *USA* is episodic in nature. Our ratings depend on the stories. If we can promote a program with Oprah Winfrey's wedding, our ratings that day will be high."

"It's a magazine show," agrees Ron Townsend, president and g.m. of Gannett's WUSA in Washington. "People have the impulse to buy a magazine based on the cover."

Gannett stations continue to promote the show heavily. In Washington the promotions have been localized, with man-on-the-street interviews gushing over *USA Today* stories. Also in Washington, the *CBS Evening News* is followed immediately with a tease for that day's *USA Today* lineup. In Denver it is switched directly from KUSA's local news without interruption.

Gannett stations are also particularly likely to take advantage of GTG's offer to all 158 stations to use any *USA Today* segment on their late news. In certain instances, GTG even allows stations to scoop the show by using an item on the early news. Last fall, for example, KUSA was one of several Gannett stations to announce the results of a *USA Today* poll asking whether Robin Givens should get Mike Tyson's money.

USA Today's ratings have been creeping up since the fall, particularly at the nine Gannett stations that carry the program. While factors like the stations' strength and the ideal placement most have given the show can't be ignored, ratings indicate that Gannett's heavy promos are showing some results. Last November, while *USA Today* measured only a 6.1 Nielsen rating nationally, it averaged a 7.6 rating on Gannett's stations.

The overall figures for the Gannett stations would actually have been higher but for the show's dismal 2 rating and 3 share at the only independent, WLVI in Boston, which has since dropped the show. "As the only UHF station to carry *USA Today*, we weren't giving it the exposure it deserved," says president and g.m. Gerry Walsh. Even so, compared to the same periods six months and one year earlier, the program's November ratings represented declines for seven of the nine Gannett stations.

The evolution of the promotional effort has been accompanied by changes in the program itself. The

show—a half hour weekdays, an hour on Saturday—has always had the advantage of a format and production team capable of responding to criticisms with almost daily changes in substance and format. After November's sweeps, when Jim Bellows was hired to help turn the program around, the number of stories was cut and those that remained were reported as harder, albeit entertaining, news.

The new \$4 million promotional effort launched in January reflects these changes. Just as the show's original opening—in which a copy of the paper turned into the show after being

tional hook to everything we do."

In the new promotions, new music and flashy graphics surround the words, WHO WHAT WHY WHERE WHEN WOW, which serve as an introduction for clips from the show. Then comes the tag line, "See It From A Different Angle." "The subliminal message is that if you didn't see yesterday's show you missed something important, and if you don't see tomorrow's show you'll really miss something important," says Jacobs. Even the program's name has been changed, from *USA Today: The Television Show* to *USA Today on TV*, which Frankfurt likens to calling the show by its first name.

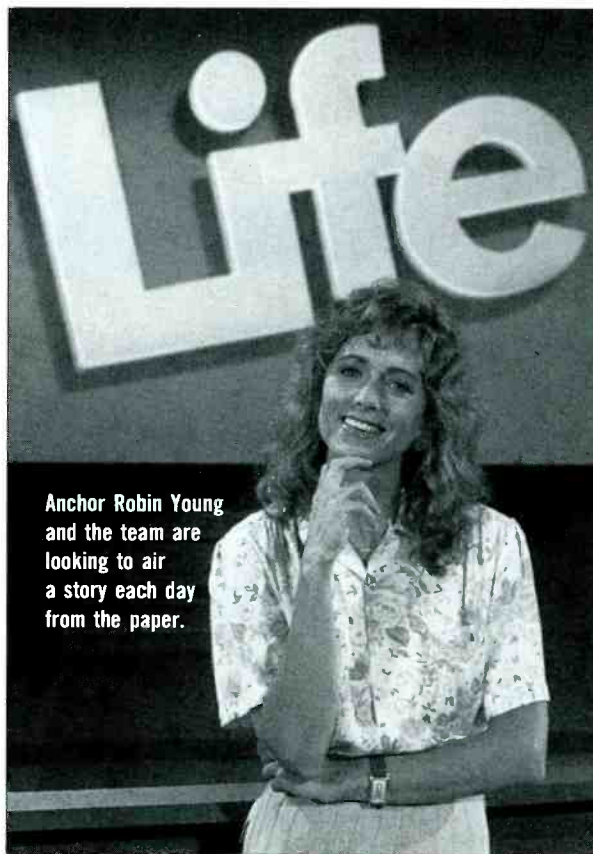
None of this means that the popularity and resources of the newspaper won't continue to be leveraged. In order to expedite the sharing of specific stories, four full-time staffers shuttle back and forth between the paper and the television show's communications center located inside one of Gannett's twin towers in Rosslyn, Va. The goal is to air at least one story a night that will appear in the paper the next day.

Everybody, even those most responsible for *USA Today's* initial launch, now likes to trash the early episodes, as if by comparison the show is the finest of its kind. The show's backers also say they believe that with the show's initial flaws eliminated the ratings will surely begin to escalate. But

in the end, the program's future depends on the show itself, not necessarily its promotions. The total budget for the first year has likely exceeded the whopping \$40 million estimate of last year, and although GTG won't confirm exact figures, Jacobs concedes that the show continues to lose "a lot" of money each month. GTG executives are nothing if not optimistic.

The program has been renewed for the 1989-90 season, and Jacobs goes so far as to predict that by next summer, "the show will go down as the biggest flop to rebound into the biggest hit in television history." WOW! ●

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Contributing editor Adam Snyder last wrote about TV-newspaper ad battles.



Anchor Robin Young and the team are looking to air a story each day from the paper.

plugged into an electrical socket—has been replaced with a quicker segue into the day's major stories, the original promotional campaign—in which a newspaper box on the street turned into a TV set—has been replaced with promos more illustrative of the show itself.

"We needed a single focus to the messages we were sending on radio, print, billboards and TV," explains Steve Frankfurt, chairman of Frankfurt Gips Balkind, the advertising agency hired for the relaunch. "It had to be tied into what the show was all about—What has happened in the USA today? The show looks at the news from a different angle, and that's the theme of our campaign. We now have an emo-

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Demos Do the Talking

by Michael Couzens

Without people-meter demographic data, Fox would have less revenue in the bank.

Can a national TV network find success by selling demographics alone instead of across-the-board viewership? It's now plain that Fox Broadcasting Co. thinks so: This September Fox will unveil a Monday lineup—its third regularly scheduled night of prime time—aimed primarily at viewers no older than 34. The audiences for current Fox shows—eight programs totaling five and a half hours on two nights—all skew young. And certain national advertisers are now willing to pay a premium for Fox's youthful audience, according to Pat Mastandrea, Fox Broadcasting Co.'s senior vice president for sales. Without people meters, however, Fox might never have won such premiums. With meters collecting faster, more reliable demographic data than the old diary system, the Fox sales force can now call customers on Wednesday armed with the previous weekend's demos.

It's opportune for Fox that strong demographics can now fetch premium rates: The build-up of a traditional national audience was proving to be a slow, costly process. From its 1986 launch until last year's November sweeps period, Fox had trouble recording household ratings worth mentioning at all. Early in the 1987-88 season, ratings turmoil in the Saturday night lineup tended to pull down the fortunes of the whole enterprise.

A turnabout came, at least in part, with *America's Most Wanted*, a program initially developed for the seven Fox-owned TV stations as a 6:30 P.M. lead-in to Fox's Sunday programming. Steve Leblang, vice president of programming for Fox Television Stations, recalls that "in some markets the show delivered record-breaking numbers—a nine rating in some situations on KDAF in Dallas and eight rating points [on WFXT] in Boston, which are our weaker UHF stations. In Dallas, it was beating two of the network affiliates." In April, Fox redeployed *America's Most Wanted* from its owned stations to the network, running it in the 8 P.M. slot on Sundays. By the last week of

the November sweeps, *Most Wanted* and the 8:30 sitcom, *Married... With Children*, had garnered a 14 and 15 percent share, respectively, of the national audience.

Fortunately for Fox, its beginnings dovetailed with the switch from Nielsen's National Television Index to people meters at the start of the 1987-88 TV season. The people meter clearly changed how programs are selected and sold. "You have people information available on a more timely basis," Leblang says. "You can use overnights to shape [program] strategies and wait to see trends developing." For all programmers, the meter data became one assessment of a program's value. "We now see shows [on other networks] renewed with a lower

to younger viewers." The assumption is that an audience of young viewers will expand, while an older audience will decline or remain static.

"It's our goal to be effective with the primary demographics," Fessel says. "These shows will broaden in time, but I don't think we'll ever skew old."

Fox's station lineup is weaker and less seasoned than any of the three elder affiliate groupings. Fox covers almost 90 percent of U.S. TV households, compared with almost total three-network coverage. "The younger demographic is a way to counterbalance" the station lineup and appeal to advertisers, according to Fessel. Mastandrea claims that Fox shows hold special value to advertisers. "Time was that an advertiser would come to us after it

FOX GRABS THE YOUNGER VIEWERS

Fox shows rank higher among the 165 prime time shows and get higher ratings from audiences under 34 than they get from older viewers.

SHOW	RANK / RATING			
	MEN 18-34	WOMEN 18-34	MEN 18-49	WOMEN 18-49
<i>Married... With Children</i>	#28/9.2	#43/9.3	#48/8.0	#74/7.9
<i>America's Most Wanted</i>	#34/8.6	#46/8.9	#53/7.8	#73/8.1
<i>21 Jump Street</i>	#67/6.4	#68/7.6	#101/5.5	#85/7.2

Source: Nielsen Television Index, November 1988

share because of their demographic attractiveness," Leblang says.

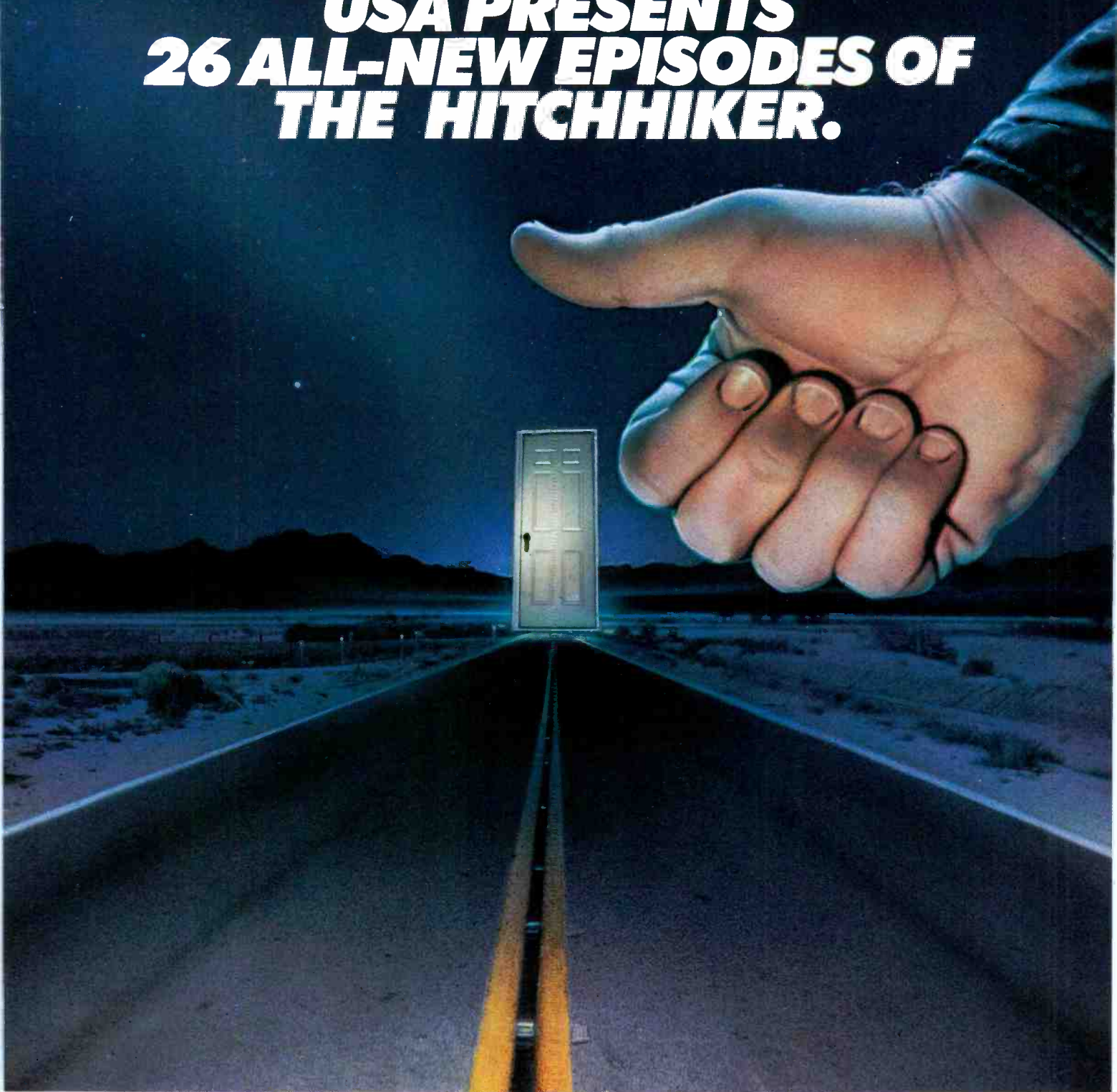
"On a household basis, our ratings are modest," says Andy Fessel, the Fox network's vice president for research and marketing in Los Angeles. Fox compares its climbing share of Sunday's prime time audience with the falling share of the Big Three networks. But Fox's entire network feed still garners barely 2 percent of each week's total prime time audience. The network is convinced, however, that its earning power now lies in demos.

"We're not targeted to households," Fessel continues. "We want to appeal

had bought the network," she says. "But television in general is an older-skewing medium, and we offer an alternative. Now, we are about five percent below the network's pricing." She notes that Coca-Cola, among several Fox advertisers, aims its message at viewers 18 to 34 years old, with an emphasis on teens. Was advertiser need for young audiences Fox's motivation to begin with? Says Mastandrea: "It's the segment of the population you would want to reach regardless." ●

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Michael Couzens is a San Francisco writer and communications attorney.

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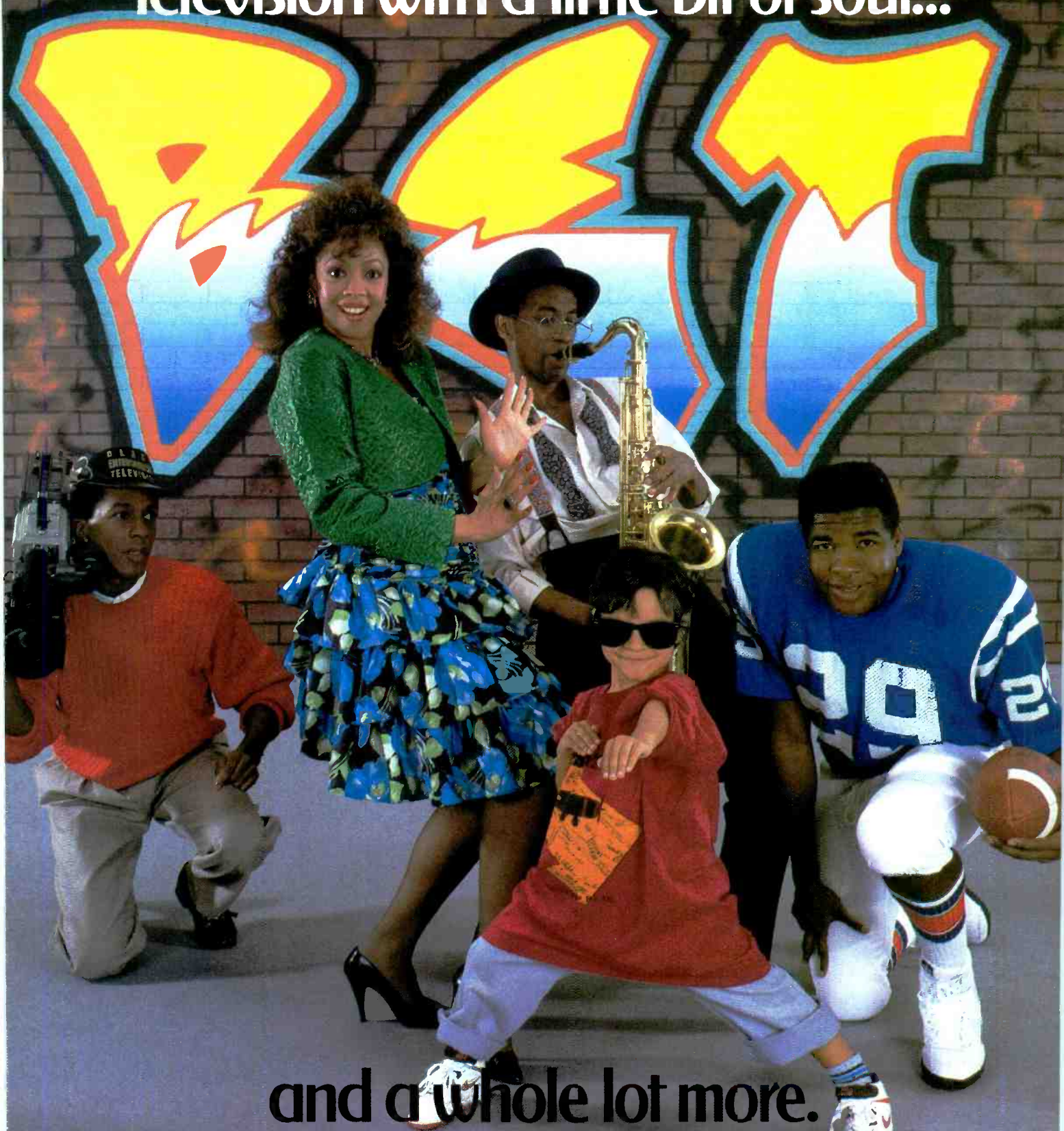


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We're Coming On For You!

Progressing Backward

by Chuck Reece

Stations are rebuilding for old-style local sales as the national flow slows down.

Television 1960: The general sales manager of station WWWW stops by the local pub on the way home from work at 4 P.M., having spent the afternoon deciding how much to jack up rates next year.

Television 2000: The general sales manager of station WWWW stops by the local shoe-repair shop on the way home from work at 7:30 P.M. Pounding the pavement and selling spots to local retailers regularly puts holes in the soles of his shoes.

Progress in the sales business looks positively regressive, doesn't it? But forward-looking stations are today looking backward to the days when the medium was new and sales people hit the streets to tell television's story. These stations—although still a minority—are rebuilding their sales departments, creating separate units to focus on local business.

"We all became very comfortable and decided to get very fat and lethargic as [national] spot television hit its peak. Well, there ain't no more peaks to come, if you ask me," says Michael Wach, vice president of sales for Boston CBS affiliate WNEV, which last September created a regional sales development unit specifically to chase the local business that the station for years did not need. "It's now getting back to the basics that started this business 30 years ago. And that is, 'Hi, I'm Mike Wach. I'd like to tell you about TV and about my market.'" Wach has yet to see an absolute decline in his station's national spot revenue, but he says "the growth curve has slowed. If we see a slide coming and growth diminishing, we have to be ready."

The growth of national spot has slowed precipitously since 1983. The Television Bureau of Advertising has responded by selling stations on the future importance of old-fashioned local sales. "Local is the area that seems to be showing general increases," says John Krubski, TvB's vice president for local sales in markets 1-30. But picking the fruits of the local market means extra labor and money. Building a new

sales division to chase local revenue, Krubski says, can initially "contribute to the cost of sales with no return"—at least a disproportionately small one. It's a long-term investment in a short-sighted business.

"One of the biggest obstacles in broadcasting is the inability of some managements to make a commitment to what is obviously needed. They want immediate results," Krubski says. "But if you are going to create a future for TV in an era when budgets are being fragmented among increasing alternatives, you have to do *something*. That presumes doing more than you're currently doing. And doing more costs more. So in order to increase your share of the total advertising-dollar pie, you must make an investment in making that share grow."

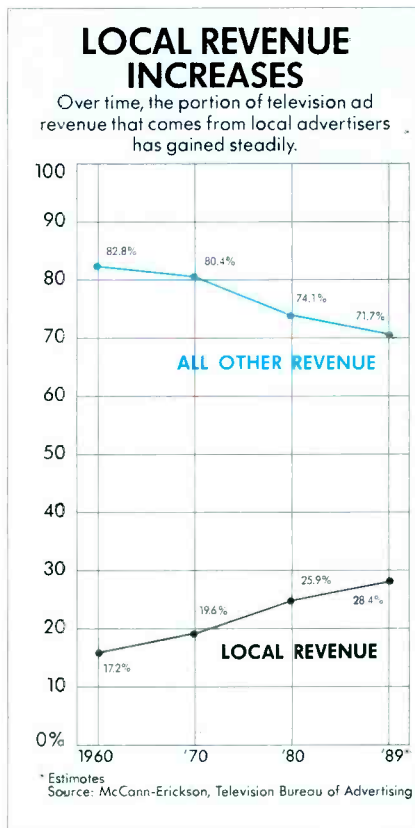
The stations making investments in

local sales units are following no set pattern. In Boston, at New England Television Corp.'s WNEV, Wach made Leonard Goldman, who has 20 years' experience in the Beantown market, manager of regional sales development. Goldman in turn hired two people to work only in the development unit. He has, however, given some development work to the station's regular staff. "These are experienced sales people who know television and how to sell it," Goldman says. "It's just a matter of making them work harder."

Jay Sondheim, director of a ten-month-old development unit at San Francisco NBC affiliate KRON, opted for a department that operates completely apart from the regular sales staff. In addition, the department's three account executives had never sold TV before, which was precisely the way Sondheim wanted it. "I wanted people who didn't know the things you *couldn't* do," he says. "We have three sales people who are learning from the ground up how to *sell*, not how to respond to avail requests and negotiate. We're growing new, young sales people who are the wave of the future for the station."

The department, after less than a year, had brought "substantial" new revenue to KRON and parent Chronicle Broadcasting. In '89, Sondheim expects his department to double '88 results. That money still is "minuscule against the station's big [revenue] picture," he says, but the station is convinced that the local sale is "the wave of the future." Says Sondheim: "Our decision was really to grow our own advertisers, seek out [mostly retail] business people who do substantial advertising in media other than television and convince them TV should be added to their marketing program." It's a long and costly process, Sondheim acknowledges, but he is confident in the course KRON has set.

He says, "We're hoping that this bread we've cast out into the water will come back as plum pudding." ●



Too Close For Comfort

by J. Max Robins

Miami's *Eye on Crime* churns out compelling video, but is it too cozy with the cops?

An unmarked Ford mini-van slides alongside a chain-link fence surrounding a Ft. Lauderdale, Fla., housing project. The neighborhood is so drug addled that everybody from Geraldo Rivera to the BBC has focused on it. This is a prime time barrio for crack-driven news.

The mini-van doing the stakeout dance belongs to *Eye on Crime*, a weekly half-hour show produced by Post-Newsweek's WPLG Miami, an ABC affiliate. Inside, the van is littered with video equipment and other surveillance gadgetry. A picture of Jesus graces the rearview mirror and a bulletproof vest hangs in the back. "Mommy likes me to wear [the vest]," says cameraman Tony Zumbado, pointing to *Eye on Crime* producer Nanci Ross in the back of the van. "But I don't use it much. If I wore it all the time I'd think I was invulnerable. But what the hell, I could get shot in the head or in the back."

After four months of a perpetual grind, turning crime into a news show, Ross and Zumbado are totally immersed in real-life street drama. "When Tony goes out there, he is a target," says Ross. "And he does it every day."

A skeleton crew kicks out this videoverite view of cops and robbers in South Florida. Ross, Zumbado and an associate producer are the only full-timers on the show—two other producers and a cameraperson help out, but their time is split with other WPLG programs.

Eye on Crime is a gun-and-run news show. Each edition jams in an average of five segments, linked together by WPLG news anchor Dwight Lauderdale and Dade County police commander Bill Johnson, who provides the color commentary.

Periodic features, such as "Risky Business," a running chronicle of South Florida confidence scams, and "Still at Large," a low-tech look at Florida's Most Wanted, solicit viewer tips.

Another segment, "Ten Salute" (WPLG is Channel 10), is a weekly tale

of local heroism. The most compelling segments, "Crack Attack," "Crime in Progress" and "A Day in the Life," show police in action against real criminals caught in the act.

The police view of crime has been the idea behind *Eye on Crime* since it debuted last summer. It's a concept that has connected with viewers. The program recently pulled an 11 rating and a 19 share, winning its 7 P.M. Saturday time period.

Eye on Crime is part of a trend in "policecentric" TV, where producers form de facto partnerships with law enforcement agencies to create reality-based programming. Programs such as Fox's *America's Most Wanted* jump started the trend on a national level,

and those who report on their activities has traditionally been a rocky one. But with policecentric TV the programming trend of the moment, and with journalists moving out of the news department and into programming, relations with the police have gotten cozier—possibly too cozy. "One day one of these crews that spends so much time with the police will have the camera on some cops beating a guy to death, and that tape will mysteriously be dropped in a sewer," warns the TV beat reporter for the *Ft. Lauderdale News and Sun-Sentinel*, Tom Jicha. "They say police partners are closer than husband and wife. That's how close some of these guys covering this stuff are getting with the police."

"When you're on the scene reporting crime all the time, it's easy to get swept up in it," admits *Eye on Crime* executive producer and WPLG program director Sherry Burns. "We have to be very cautious. Our first responsibility is to our news department, and it does stories that step on law enforcement's toes. But the police want us to have a honeymoon that never ends."

Several South Florida police departments have given *Eye on Crime* virtual carte blanche to film their officers in action, and

more than 20 departments are represented on the program's advisory board. "The format for the show grew out of conversations I was having with [Commander] Bill Johnson. We wanted to do something that went beyond *Crimestoppers* that was in even more of a public-service vein," says Burns. "Then the success of *America's Most Wanted* galvanized us into trying this idea."

Programs like *America's Most Wanted* and its counterparts may have hastened the birth of *Eye On Crime*, but the show does not have the same highly produced veneer. The lack of Hollywood gloss is a deliberate choice.

Indeed, *Crime's* producer Nanci Ross

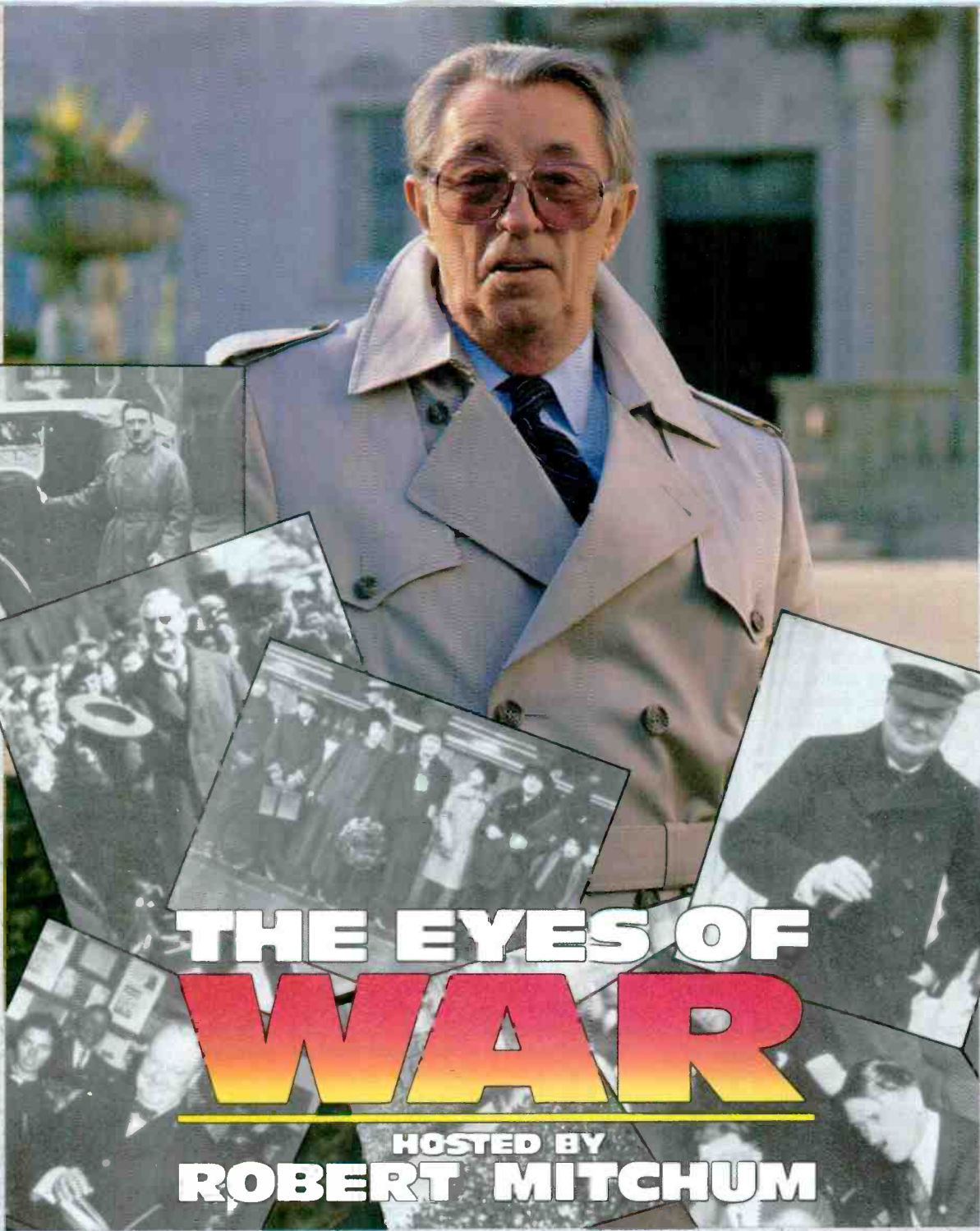


'Policecentric' TV is turning viewers into crime-fighters.

spawning a slew of clones. It was inevitable that the concept would go local. WPLG is not alone in taking this route—WTTG, the Fox-owned station in Washington, has been producing *City Under Siege*, and there are similar plans at the other Fox O&Os.

With crack driving crime rates amuck in every major market in the country, covering crime has become too big a story for the confines of regularly scheduled news programming. Police departments, understaffed and under siege, are anxious to give access to programmers who seem sympathetic to law enforcement's agenda.

The marriage between police depart-



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bristles when her baby is compared with the rabid news-punk pack. "I feel terrible about the timing of [the program's debut]. People go, 'Oh, another crime show,' and that's unfortunate," says Ross, who entertains thoughts of syndicating the concept á la *PM Magazine*. "If we do a reenactment, we almost always try to use the actual participants. We only use actors as a last resort and even then it's not glamour shooting—no soft lighting with Vaseline around the lens. We like to integrate what we do with crime-scene photographs and police video, but we label it as such. That way we make it credible—not *America's Most Wanted*."

When Ross gets rolling about *Eye on Crime*, she sounds more like an anti-crime crusader than a journalist. A veteran of such news programs as *Nightline*, she admits that her program functions "to some extent as an arm of the law." With crime seemingly out of control, she explains, this is no time for journalists to be on the sidelines. "If we can be a voice of support for these officers, that's okay," she says.

Ross' cohort Zumbado feels even closer to the story. Ross is usually at the studio while Zumbado is the one who spends endless hours on stakeouts with the cops. He was trained by the police on how to wire everyone from officers on the beat to those working undercover. "I usually wire about three different people for a story," he explains. "If one guy is chasing one guy one way and someone else is chasing another guy another way, I hear what's going on on both sides of the street. It saves me from getting in the way. [The police] aren't looking for me, a camera person, to be there, so I've got to stay clear of getting caught in a cross fire."

Zumbado is in deep and going deeper. He is going into the Broward County Sheriff's Reserve because he feels compelled to understand the world of cops and robbers from the inside. Hanging around the sheriff's office waiting to go on a shoot, Zumbado is just one of the boys, always saying "we" when he talks about the police that are his beat. Remembering a stakeout he was on that went sour, he says, "We were doing a reverse sting, but we had to pull out when some school kids got in the way."

A group of male police officers brief a policewoman and a local volunteer who, posing as a hooker and her john, will try to make several crack buys in a nearby housing project. "As a last resort, when

they tell you to get on your knees and beg for your life," advises officer Jerry Wurms, "tell them you're police officers and that they're under arrest, and we'll move in."

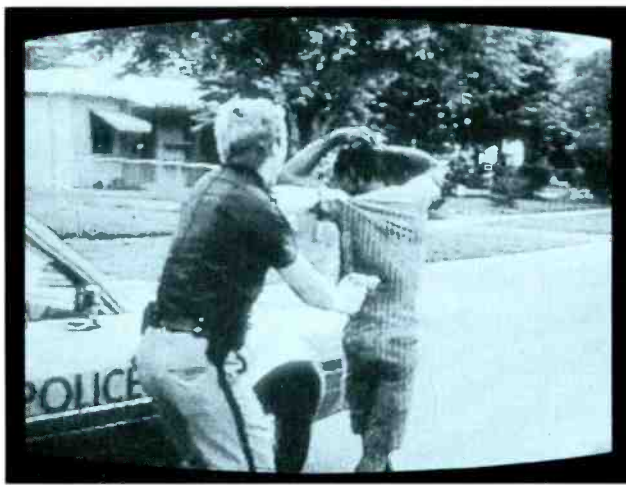
Zumbado, who has wired the couple, intermittently films the briefing and offers his own advice. "Just relax," he says. "You're looking to buy a rock and have a good time."

The briefing completed, Zumbado, Ross and Wurms ride to where the undercover operation will unfold. Wurms is not your typical police officer; he used to work as a TV producer. He had always toyed with going into law en-

"I know the bottom line is that Tony is not going to burn us," Wurms explains. "If there's something that shouldn't be shown, he's going to turn the camera off. Some situations you just don't want the camera on. If you get in a bad physical fight, you don't need it. If I get in a fight with a guy, and it shows me beating the shit out of him, and it doesn't show what happened prior to that—that the guy pulled a gun on me or took a swing at me—then it looks like here's a cop, some brutal son of a bitch, beating the shit out of a black."

"If somebody puts his hand on my partner, he gets his ass kicked. That's the way it is. If anybody pulls a gun on me, if they run from me, if they take a swing at me they get their ass kicked. Because if you let them take advantage of you when you go out on the street, they'll know who the pussy is and who they can take advantage of."

Wurms is at war and believes that if you're not fighting on its front lines, then you won't understand the rules of engagement. Still, his job is to subdue criminals, not beat them up, and if that's what he's doing it deserves the scrutiny of Zumbado's camera. *Eye on Crime* has yet



Eye on Crime: a local show scores with cops-and-robbers video verite.

forcement, and after working on Geraldo Rivera's *American Vice* special, he really got bitten with the bug and joined the Broward County Sheriff's department.

"When I quit the police department, I'm going to work for you guys," he says to Zumbado with a laugh.

"And when I become sheriff," says Zumbado, "we can trade off."

Wurms believes *Eye on Crime* is making his job easier by showing viewers just what he and his brethren are up against. He gives Zumbado especially high marks for his work on the show, and for holding steady during some tense, unsettling times. "Tony has been on shoots where we've gotten into fights, where there have been guns—a guy has pointed an Uzi in his direction," says Wurms. "This is real. It ain't *Miami Vice*."

Clearly, the relationship Zumbado has developed with officers like Wurms has meant not only compelling features for *Eye on Crime* but on occasion exclusives for WPLG's news programs as well. Still, listening to Wurms talk about his relationship with the *Eye on Crime* cameraman raises the question of whether Zumbado is compromising himself.

to do a story about police corruption or police brutality, yet those stories are prominently covered in local newscasts and newspapers.

Zumbado claims he would not close his camera's eye on crime if it caught the cops being the bad guys in the viewfinder. A first-class cameraman, a veteran of filming under fire in Nicaragua, he believes he is making a difference reporting the most compelling stories he has had to cover in his life. It is one in which he has a personal stake, he says, because it's about the community where he lives—one under siege from crime.

"Every time something big has happened in the last couple of months, I've been around the cop or the guy who did it. I feel like I'm getting close to something real big," says Zumbado. "I'm a journalist covering all South Florida, and I'm seeing the same guys thrown in jail in different counties. It's real hard to stay objective when you come back to a place and see the same guys on the corner."

"When two cops were shot and killed last week, the guys they worked with, and their families, called me and asked, 'Do you want to do the story? Do you want to listen to us?' I absorb this stuff and it really gets to me." ●

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The Latest Telco Debate

Without a doubt, the hottest communications policy issue of 1989 is the debate about telephone companies entering the cable business. It is an issue loaded with history and emotion, and one with high-stakes ramifications for all segments of the television industry.

As the fight evolves before regulatory, judicial and congressional forums this year, we're likely to see varying sets of alliances taking varying positions, many of which relate to other issues. With the cable industry now galvanized to block the telcos and facing a long list of foes, there is talk of coalition-building between Hollywood and telephone interests. The National Association of Broadcasters and the Association of Independent Television Stations will surely use the issue to at least pressure the National Cable Television Association to resolve cable-station carriage issues.

But, as usual in communications-policy debates, the

It's time for Washington and business to start including the public in the fight over the wire to the home. Too much is at stake.

public will be unrepresented. These issues never get the attention they merit until it's too late for public input. Remember that the phone system was chopped apart and the cable business deregulated in a public vacuum.

Virtually no one outside the phone industry but for a small group of reporters and lawyers paid any attention to the early 1980s debate about AT&T, even though it was clear well before divestiture that the political, judicial and philosophical momentum plainly foretold an end to AT&T's monopoly of local and long-distance services. With Congress unwilling to tackle the AT&T mess even after years of hearings and debate, a court and the Justice Department ultimately solved the nation's AT&T problem and moved the fiercely litigious business from the courtroom to the marketplace. Because others—Congress and the FCC, for instance—punted on the AT&T matter, today a federal judge, albeit a dedicated one, controls much of the communications-policy future. That's no way to make decisions with enormous social and economic impact.

The circumstances were different, although the public

debate was just as limited, when Congress deregulated the cable business in 1984. Today, even some members of Congress admit that they voted for that bill not quite realizing its impact on industry and the public. Since neither the Congress nor the press did much to involve the general public in the matter, consumers, of course, missed out, and have only recently come to realize the power and importance of cable operators, which are the nation's video gatekeepers. With rate increases and the adding and dropping of channels now more important to viewers than ever, the public more clearly understands the impact of cable on their lives. And even other segments of the business—on the station and production sides, for instance—were barely involved in the 1983-84 congressional debate on cable deregulation. Essentially only the cable industry and city governments were.

Now, again, the issues surrounding control of the wire to the home have come to the fore. One can hope that, with the experience of two seminal communications policy events as background, the debate in 1989 and beyond over the wire into the home can take place in larger public arenas.

The fight over whether phone companies should enter what cable defines as its turf really focuses on two issues. The first is the public's access to information and entertainment. The second is the access of providers of information and entertainment to the public. Over those parameters there should be no debate. Of course, the historic links between commercial or public stations to their communities must not be broken. Nor should the bonds between such increasingly vital cable services as Cable News Network and C-SPAN and their viewers.

And there's history to remember, as well. NCTA president James Mooney is right to point out that the telcos' historic anticompetitive record is clear, troubling and, as he puts it, marred by their "predilection for predatory practices." What Mooney can't so bluntly point out is the fact that the FCC has never seemed willing or able to police the huge phone company apparatus. Tracing cross-subsidization is next to impossible, even if regulators have the will. On the other hand, 1988 is not 1968, and the new phone industry is diverse and competitive, at least for attention from Wall Street. But the cable industry, once one that all in TV and telephony wanted to kill, cannot play a comparable negative role. Competition is budding and inevitable.

Let the debate reopen. The stakes are obvious and higher than ever. It is time that the issues came out of Washington and into the mainstream of a society more dependent on communications than ever before. ●

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LAZARD FRÈRES & CO.

January 18, 1989

The ABCs of Making News Profits

Ridiculed when he took on news, Roone Arledge now dominates the pack. The next task: Creating a big profit center.

.....
by Cecilia Capuzzi

The occasion was the tenth anniversary of ABC's *20/20*, and New York's glitterati had assembled in the spacious interior of the American Craft Museum to celebrate. *New York Daily News* gossip columnist Liz Smith, looking happy as a pig in mud, surveyed the crowd to target the right coterie. There was no want of opportunity. Milling about were dozens of celebrities: politicians—Ed Koch and Geraldine Ferraro; rich people—Warren Buffet, Larry Tisch, Donald and Ivana Trump; the cultural elite—Vartan Gregorian and Abe Rosenthal; movie and Broadway stars—Cliff Robertson and Jackie Mason; and of course the television gentry—Barbara Walters, Peter Jennings, Bill Paley, Don Hewitt, Diane Sawyer, Hugh Downs.

But at the center of it all, somewhat obscured by the crowd around him, was Roone Arledge—the legendary ABC sports wunderkind turned news statesman—who was being honored along with the show he created in one of his first decisions as ABC News president. Crisply suited, somewhat rotund and standing very erect, Arledge exuded a brilliance. No doubt the bright lighting bouncing off his neatly coifed red hair contributed to his aura. But the glow from the man ABC affiliates have considered a deity since the early 1970s seemed to emanate from within as well. Holding court with Donald and Ivana, Arledge's face beamed as red as the roses on the print of Barbara Walters' dress that evening.

For Arledge and others at ABC News for years, the gathering was more than a *20/20* celebration. It was a triumph. Vindication. Victory from the ashes. In less polite terms, an "I told you so" to a less-than-kind industry that a decade ago pooh-poohed not only *20/20* but ABC News and Roone, the sportsman atop the division. "When he took over, everyone screamed he'd do *Wide World of News*," says a former CBS producer. "Precisely the opposite happened."

Now a decade later, while the other two broadcast news divisions have heaved with chaos, ABC has chugged

along with few outward signs of strife. After years of struggling, it is poised to emerge as the industry's leading news organization. And as head of the only news division that has consistently turned profits in the last five years, Arledge is pushing ABC into its third genesis, defining what he says is the "new approach" to network news: an integration of journalistic standards with good TV, and an emphasis on profitability with an acceptance of the new economics of TV. The approach, he says, "is consistent with the great news organizations—*The Times*, *The Los Angeles Times*, *The Washington Post*, all financially sound organizations. The old idea that if a news division made money it would be the end of the world because of the pressures," says Arledge, "is just not pertinent today."

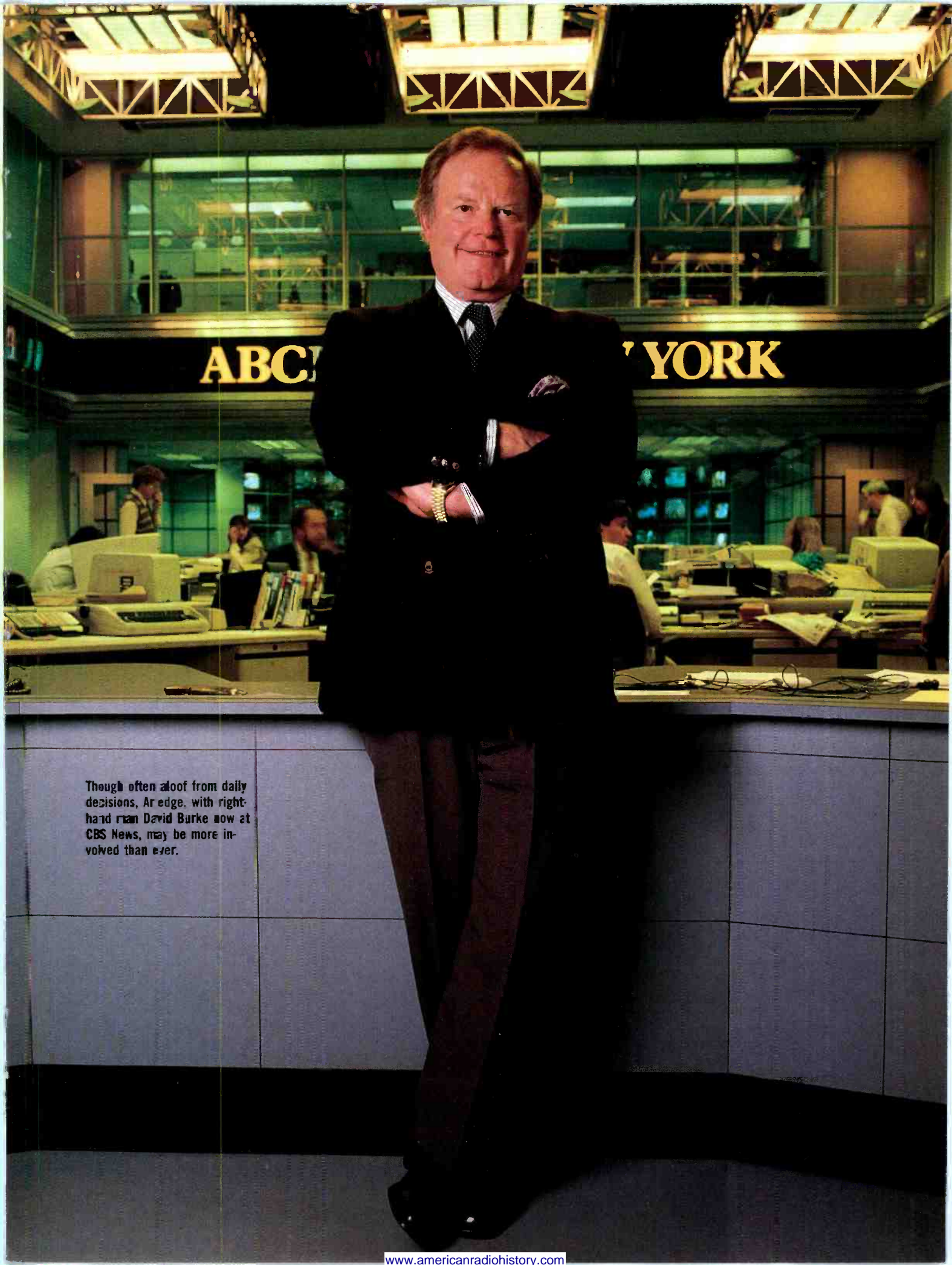
Inherent in the "new approach" is the possibility of dramatic change in the way network television looks and defines itself, as news begins to assume the prominence that entertainment has held in ABC's prime time. Take, for example, the addition by fall of ABC's new hour-long news show on Thursdays at 10 P.M. *20/20* sacrificed the same time period in 1987 in order to accommodate schedule changes for what became the entertainment division's spectacular failure with *The Dolly Parton Show*. (Meanwhile, *20/20* moved to Friday night at 10, where many expected it would falter and die. It hasn't.)

Part of the change at ABC is rooted in the troubles of network television in general as syndication, cable and home video

continue to erode its audience. But it is also the result of new managements looking to run lean organizations: news shows—about a third less expensive to produce than entertainment—are appealing. The new thinking makes sense to ABC affiliates as well: "The world is changing and I'm not sure entertainment is the answer with so much of it available elsewhere," says Lew Freifeld, v.p. and g.m. of New Haven's WTNH. "We cannot look to what was successful in the past for our future." Says Alan Nesbitt, president and g.m. of WTVD in Raleigh: "So much entertainment programming we see is hyped to be 'big,' 'a



Munich 1972: On the spot, Arledge delivered.



ABC NEWS NEW YORK

Though often aloof from daily decisions, Ar edge, with right-hand man David Burke now at CBS News, may be more involved than ever.

smash.' But nothing seems special anymore. The network and stations can show distinctiveness through news. It's a matter of time before the world catches up with ABC."

During most of the 11 years that Arledge has headed the division, ABC News has been the one playing catch-up, and as a result it has churned out more innovative programming than its competitors. It broke new ground with *Nightline* and reinvented Sunday morning with *This Week with David Brinkley*. *World News Tonight* is neck-and-neck with *The CBS Evening News*, and Peter Jennings, considered a lightweight when he took over as sole anchor of *World News Tonight* in 1983, continues to show improving performance. The changes have softened even Roone's most vocal critics of the late '70s: "I find it very ironic that the newcomer in the business is now the veteran, the industry statesman. I wouldn't have given a plumb nickel to be an admirer of Roone Arledge," says Dick Salant, the former CBS News president, adding that *World News* is the "most professional" of the three evening newscasts. "Now I'm a guy who has an enormous respect for him. He's overcome enormous obstacles."

Some of those obstacles, like ABC News' perennial third-place ranking, came with the job; others, like a "near palace revolt" at news, as one observer termed it, happened *because* he got the job; and some obstacles Arledge created on his own, fanning the flames of controversy surrounding his move from sports to news (Arledge held the presidencies of both divisions until 1986). The flap surrounding coverage of the New York serial killer "Son of Sam" is a good example of self-created troubles. Arledge had Geraldo Rivera, then fresh from WABC, cover the arraignment of David Berkowitz, who was later convicted of the crimes. In New York and in TV then, Rivera had no less a reputation for the sensational than he has today. That assignment outraged ABC correspondents, especially after Rivera seemed to convict Berkowitz in one report. When Arledge himself showed up at the precinct it seemed the jeers wouldn't quit. Maybe the sports division president attended big events, but that wasn't how things worked in news.

Then there was the disastrous premiere of *20/20*. "In addition to being pointless," the *New York Times* said, "the new ABC news magazine is dizzyingly absurd." Hosted by Harold Hayes, former *Esquire* editor, and Robert Hughes, *Time* art critic, the premiere included a Jimmy Carter doll singing "Georgia," and a heart-tugging Rivera feature on rabbits used as live bait to train racing Greyhounds—quickly dubbed the "bunny-rabbit murder" story. After the premiere, Arledge quickly fired the hosts, hired Hugh Downs and went to work mending the show. But in the press, he distanced himself from *20/20*'s problems, which didn't endear him to his staff.

The publicized incidents seemed to confirm the worst fears of newspeople: Arledge, a showman, didn't understand the gravity of news; his mandate to turn around ABC News was the plot of Paddy Chayevsky's *Network*—in which a news division is run by the programming department—come to life. Rumors circulated that Howard Cosell and Jim McKay would be transferred to news. Even ABC News staffers protested to management about Arledge's appointment. "Our reaction when Roone came on," says Ted Koppel, who once resigned over Arledge's



Capital Cities/ABC chairman Thomas S. Murphy.

.....
"The news is the heart
of the ABC network
and vital to the com-
pany's future success."
.....

management style, "was hostility, suspicion. We saw Roone as something of an interloper. While he had a distinguished sports career, we believed unless you grew up cutting teeth on news the transition was impossible."

When Arledge added news to his duties, it seemed there were only three people at ABC, besides himself, who believed he'd succeed: Leonard Goldenson, then ABC chairman; Elton Rule, president; and Frederick Pierce, network president—the trio who replaced Bill Sheehan, the fourth news president, with Arledge. By then Arledge had amassed a larger-than-life reputation at sports and had become a highly valued commodity at ABC. "Sports was a dominant part of our success," says Rule, now ML Media Partners chairman. "He earned ABC a posture in sports that was the envy of the other networks."

Arledge joined sports in 1960 and was made president in eight years after creating ground-breaking, highly profitable programs such as *Wide World of Sports* and *American Sportsman*. His innovations, now routine, changed TV's look and feel, and as Rule says, made Arledge a "living legend." From the personal focus on athletes, to techniques like slow-motion and stop action

and his "blitz" of events with camera coverage and commentary (now news techniques), Arledge created a huge sports market. His Olympics coverage in 1968, '72 and '76, and the risky launch of *Monday Night Football*, contributed to ABC Sports' key role in making a moribund ABC competitive. To affiliates, Arledge was a hero. "He was the only person giving them anything good," says Tom Wolf, former ABC v.p. for documentaries. "He could do no wrong."

In the meantime, the rest of ABC was struggling. Before its winning 1976-77 season, an old Milton Berle joke best characterized ABC's mood: "If you want to end the Vietnam war, book it on ABC and it will be cancelled in 13 weeks." News was the worst. Though a solid base was in place due mostly to the efforts of Elmer Lower in his 11 year tenure as news head (Lower hired many of the staffers who are now stars, including Jennings, Koppel and Sam Donaldson), and Sheehan, who served three years after that, money and management attention were lacking. Getting money for news then, Koppel says, meant "going to [ABC] with a tin cup and saying 'Please sir, alms for the poor.' The news division was irrelevant and didn't create enormous interest," he says.

But after ABC Entertainment's 1976 leap into first place, attention turned to news. At the same time, Arledge's contract was up and word was Arledge was restless. "We needed a different approach to news," says Pierce. "Roone had demonstrated abilities, especially with events like the 1972 Olympics [during which Israeli athletes were killed by Palestinian terrorists]." Pierce convinced Rule as well: "We'd always done things differently at ABC," Rule says. "We couldn't follow the pattern. We didn't have the affiliates. We thought Roone would bring something to news and give it impact."

.....
"Adversity," says Arledge, "can be a very good thing. Adversity is usually the reason why you think of ideas you think of, or do some of the innovative things that you do." If good ideas and innovation bring recognition and success, then Arledge, in his corner office, sits amid the tangible rewards of adversity. On one wall are built-in shelves filled with Emmys and other awards. On another are flickering monitors.

Whatever his opening years in news were like, there is no ar-

Peter Jennings Ascendant

Around the fifth floor corridors where ABC News management conducts business, Peter Jennings is referred to as “the anchor of the future.” The description is fitting not only based on Jennings’ potential but considering how far he’s come. In 1983, when he took over as sole anchor of *World News Tonight* after the death of Frank Reynolds and the dissolving of the *World News* “troika,” Jennings, like his boss Roone Arledge, fought off misgivings about his new role. Especially since he’d already had a stint in the spot back in 1965, when he was 27 years old. Against much criticism—and perhaps an inability to lure Dan Rather or Tom Brokaw to ABC—Arledge stuck with Jennings. Again, going against the grain paid off.

While Rather fights to seem at ease, and Brokaw struggles with diction, Jennings’ honest, smooth style and his impressive background as a foreign correspondent have contributed to the *World News* rise. In 1988, it was the only evening newscast to gain viewers, placing a solid and close second behind *The CBS Evening News*, whose ratings dropped 6 percent from a year earlier (*NBC Nightly News* dropped 13 percent). It was also the first time the newscast had come in second for the year since 1984, when it barely beat out NBC. Former CBS News president



Jennings: In a ratings fight with Dan Rather.

Dick Salant, often critical of network news, praises Jennings and the ABC News division: “He’s the most knowledgeable and sophisticated of the anchors. He is not superficial.” And at stations, many affiliates seem relieved to be affiliated with Jennings and *World News*. Says Marc Edwards, president of KFSN in Fresno, a Cap Cities/ABC O&O: “We’re very happy with *World News Tonight*, especially since three years ago we were affiliated with CBS.” In Fresno, *World News* “crushes” the CBS and NBC affiliates by about 6 ratings points, he adds. C.C.

argument that under Arledge ABC News became respected and successful—journalistically and financially. “If he’d *only* created *Nightline*,” says a former CBS producer, “you’d put him in the class of one of the best producers.” Arledge came to news with two key things his predecessors lacked: clout with the corporation and a pledge of money and airtime. But it was adversity, he implies, and risky, underdog moves that were the genesis of change and success. If there is a secret, says Arledge, it is fourfold: “You have to have a clear idea of who you think you should be, have very good people and an atmosphere where they can flourish. Also, any organization that is financially dependent on other parts of the corporation ultimately has big problems, more so today than 15 years ago.”

A better explanation comes from those who have followed his career. Says *60 Minutes*’ Don Hewitt: “When you watch a news broadcast, you’re watching it on the same stage that you see *Cosby*, the Super Bowl, *My Little Margie*. So you have to make concessions. It’s not a pure journalism medium like newspapers. Roone understands that. A fine line divides news and show business. The trick is to go up to that line, touch it, but don’t cross it.” Adds Jennings: “Roone has no sense of the impossible. In South Africa one night he told me to go to Cairo and tell Sadat he wanted him and Begin on the air. I said, ‘I can’t get to Cairo.’ He said, ‘Charter a plane.’ So I got on a plane in the middle of the night. We got Sadat and Begin.”

With millions more to spend than Sheehan had a year before, Arledge began buttressing ABC News. He went on a buying spree for big names, raiding CBS and starting the salary escalation the networks struggle with today. He tried to lure Tom Brokaw. When he went after Dan Rather, he ended up giving Rather tools for winning a \$35 million, ten-year contract from

CBS. (Ironically, Peter Jennings, at \$1.8 million a year, earns the least of the three.) Arledge also hired strong management. His two lieutenants (until David Burke left to head CBS News in 1988) became alter egos, and decisions were often issued through them. Richard Wald, a former NBC News president and unhappily at work at Times Mirror Co., came on as executive v.p. He and Arledge had been pals since college and Wald had credentials that helped quiet Roone’s foes. But when Arledge chose David Burke, an aide to Gov. Hugh Carey and assistant to Sen. Ted Kennedy, to become v.p., planning, battle lines were redrawn. Burke-the-politico didn’t sit well with some in news; many had hoped the slot would be filled internally. Arledge, heading both news and sports and not known for daily organizational skills, wanted a strong administrator. Burke fit the bill and was also a perfect foil to Arledge’s “good-cop” role, often playing the “heavy.”

Adversity, says Arledge, was behind his idea for the three-anchor *World News*. When he came into news, he’d inherited the disastrous pairing of Harry Reasoner with Barbara Walters. “I had to do something,” Arledge says. “Our only star was Barbara and she was miscast in that program.” The *World News* “troika” was Jennings in London, the late Frank Reynolds in Washington and the late Max Robinson in Chicago. The show was criticized for being glitzy and fast-paced. But it was also ABC’s vehicle to, at times, rise to first place. At the same time, Arledge started producing

“instant specials” for air at 11:30 P.M. on the day of a big event. When Iranians took American hostages in 1979, the specials became regular features, which, of course, evolved into *Nightline*. By 1985, *This Week With David Brinkley*, *World News This Morning*, *World News Saturday* and *Sunday* and *Viewpoint* were all on the air; *20/20* was a hit. “Some said that working at ABC then was like being in a Mickey Rooney movie—‘Let’s put on a show,’” says Sylvia Chase, one of *20/20*’s original correspondents and now an anchor at KRON in San Francisco. “It was a fertile period. We felt we could do anything.”

But if adversity can be motivating, it also can be alienating. Until 1986, Arledge, looking after news and sports, was stretched thin. Both divisions wanted more attention. Then there was his attire, which rankled many. Arledge wore casual dress and safari jackets in the early days. He insists, however, that he wore working clothes to convey a hands-on attitude. (He says the staff got the message and regrets the “grief” the image caused him. He now wears fine suits.) There was also the flap over his killing a *20/20* segment on Marilyn Monroe, reportedly because it linked the Kennedys to her final hours. And his habit of not returning calls and “turning up missing” had been honed into an art. “He became the Howard Hughes of broadcasting,” says Rivera. Others say Arledge’s phone habits have more to do with the caller and the caller’s nature. “I see him as often as I need to, every day at least once,” says Richard Kaplan, *Nightline*’s executive producer. “Everyone wants a piece of Roone’s time because he’s brilliant.”

Explains Arledge: "I'd always had a setup where producers and talent had total access to me. It was getting so ridiculous that people were calling me at home at all hours for every silly little decision. When I've had strong assistants, I've tended to go through them."

For those finally "admitted to the presence," says Koppel, "he pays you the supreme compliment of spending hours with you. You never have the sense that he is rushed. Your problems become his problems. When you're on the inside and the president of the Olympic Committee calls and he says 'I'll talk to him later,' it's quite a feeling. The problem is when you're on the outside. When he focuses on a problem or project, it gets his full attention and everything else waits." Nevertheless, his management style has infuriated many staffers. Av Westin, who was executive producer of *20/20*, was so piqued in 1987 that he was prompted to write and leak a detailed memo (intended as a *Channels* article) critical of the division's excessive spending and lack of efficiency. Arledge fired and then later reinstated him (Victor Neufeld took over *20/20*). The former number two in sports, Jim Spence, mounted an even more public attack. Apparently so provoked by his former boss's failings, Spence devoted a chapter in a book on ABC Sports detailing his complaints and setting out to "demystify" Arledge.

With so many conflicting impressions of Arledge, it is hard to get a straight picture of him. He presides over a news division that under his leadership has gained respectability and, at the least, parity with CBS and NBC, yet he came from sports and some say he's disorganized and indecisive. He has a reputation as a "flamboyant redhead," but he is soft-spoken and, many say, shy. He has one of the nation's most visible jobs, yet he avoids, when he can, the social tasks that come with it. "If it's a political convention," he says, "I will be in the mobile unit. I'm not ducking people, but I'm not circulating around, swapping stories. I do more of that now because this reputation has grown into being mysterious or inaccessible or whatever."

Part of the "mystery" (some say it's deliberate) has to do with his accomplishments in sports and his links with celebrities like the Kennedys and Pete Rozelle. But within ABC, Arledge's mystery reflects the fact that he is often invisible to his staff. Unlike, say, the affable Howard Stringer, who made a point of mingling at CBS News, Arledge is seldom in the newsroom. "He doesn't walk the decks and talk to the slaves in the galleys," says Jennings. "It gives him a commanding figure that keeps people unsettled." "He's sort of a ghost," adds an ex-staffer. "His presence was felt, greater because you never saw him. There were things done in his name—'Roone says.' But part is probably an act. He probably knows that once people get to know you, it's hard to live up to your reputation."

In the final analysis, however, what matters is what gets on the tube and the resulting bottom line. "Whether you're a weirdo or preppy," says Bill Lord, former executive producer of *Nightline* and *World News*, "you should be held up to success based on ratings, whether programs are critically successful, and whether you're financially responsible. If Roone's 'hiding' meant the ratings were down or the programs were flops, then maybe you'd have a case that his idiosyncracies have ruined the potential. But they haven't."

"There's a very fine line you have to walk in a creative business," explains Arledge. "Look at the number of programs we do, and the number of egos that have to be taken care of and



Nightline's Ted Koppel, an ABC Veteran.

Our reaction when Roone came on was hostility. We saw Roone as an interloper'

encourage it to produce more—with less. Arledge and David Burke "restructured" ABC News, as Arledge says, in 1985 amid rumbles that ABC was in financial trouble and Goldenson was looking to sell. Before Cap Cities stepped in, the division had cut about 200 slots. An additional string of layoffs took place the next spring. All those laid off, says v.p. Joanna Bistany, met with management to discuss their circumstances—a move that may have spared ABC the public bloodlettings at CBS and NBC.

Unlike its competitors, the new top brass at ABC seems to care about news and is pushing for new programming. But its motives are mixed. Although Murphy says "the news business is the absolute heart of the ABC network and vital to the future success of the company," it's hard to overlook the appeal of lower cost news shows, which Cap Cities is permitted to own (*Nightline* had about \$50 million in revenues in '88). Last year, with sky-high production costs because of the election, ABC News made about \$30 million. This year, without those added expenses, the division will contribute about \$75 million to the network's estimated \$80 million profit, says Mabon Nugent analyst Raymond Katz. By comparison, NBC News lost about \$50 million in '88, and CBS News lost \$30 million to \$40 million, according to Wall Street estimates.

Arledge's "new approach" to news comes at a critical time. The new Big Three owners are looking to run streamlined operations while the network news and entertainment divisions and affiliates struggle to distinguish their fare from what's available on cable, independent stations and on home video. Network news divisions are also battling affiliates' local newscasts (growing in scope and capabilities) and because they're traditional loss leaders, are also defending themselves against closer management scrutiny. But the bad news, for the most part, has stayed away from ABC News.

In some ways Arledge's "new approach," aside from an emphasis on profits, goes back to when TV built relationships with viewers and they, in turn, looked to networks to reflect a national consciousness and serve as a surrogate voice. "The essence of broadcasting is being on the cutting edge of society

and being a part of the world agenda," says Arledge. The network challenge, however, sounds much less noble—setting network news apart from local newscasts, PBS, CNN and what Arledge calls the syndicated "pseudo-news shows." Readopting—or refining—"old" attitudes, and meshing them with an acceptance of TV's new economic reality, Arledge says, is the path by which ABC News is gathering prominence, not only in the corporation but with the public as well. While local stations and CNN are growing in power, Arledge believes they don't have the financing or newsgathering resources to provide the scope of coverage or depth of interpretation of events necessary to compete with network TV. "There's a role that network news plays, a role I don't think has changed or will change in the foreseeable future," he says. But network news isn't so secure as to be passive. The trick is to combine the power of news with the right format. Audience acceptance and profitability follow. And with profitability comes internal leverage. "We're not a financial drag," Arledge says. "We're a profitable part of ABC, so if ABC decided to eliminate ABC News, it wouldn't be eliminating a sea anchor. They'd be eliminating one of the more profitable divisions."

The time seems to be right for adding more news and information. Besides being economically propitious, Murphy acknowledges the growing appetite for "reality" programming. "Somebody said recently that we've run out of sitcom plots," says Joel Chaseman, Post-Newsweek Stations chairman. "The whole trend is toward reality programming that has its own flow, that's unpredictable and defies grazing. That's what TV does best. Arledge has always been good at seeing and packaging what TV does best." Other affiliates also welcome the attention to news. "If they can put together more shows like *20/20*, I'm all for it," says WTNH's Freifeld. "It may be cheaper to do news, but what difference does it make if it's good?"

Turning out less than "good" is the danger. For example, Arledge and affiliates were bothered by *Our World*, ABC's answer to *The Cosby Show* in 1986. From the beginning, says Arledge, it was "tarred with the brush of cheap. I am not interested and ABC is not interested in using energies for that purpose." But with plans for more product, with less money, can it be avoided? Since Cap Cities took over, the division has launched *Business World* and *The Health Show*. Last December, ABC aired three documentaries in Av Westin's *Burning Questions* series. Ted Koppel did a special show for aliens, *News from Earth*. And as a way to help pull *World News Tonight* away from the crowd, it introduced "American Agenda," featurettes that take on issues like education. The new prime time hour, as yet unnamed, is in the works. And after the '88 election, as Bistany says, the staff was "bleary eyed."

The prospect of all the new production is both a boon for the news division and a potential problem. "You always like to have more airtime and you always want to do the things your company wants you to," says Paul Friedman, *World News* executive producer. "But it has been a strain." "American Agenda," for example, is tying up 12 *World News* correspondents. "I don't care how well organized you are," says Sam Donaldson, "if you take out 12 correspondents, that's a strain." There is also the question of quality. "ABC has the most product on the air, but there doesn't seem to be a sense of purpose coming from much of it," says a producer from a competitor. Though attention and money are going to the new show (ABC is hiring a sepa-

rate staff and brought Chris Wallace from NBC and Diane Sawyer from CBS), the *Burning Questions* documentaries were neither compelling nor special. Fortunately, Koppel's *News From Earth* wasn't directed to mere earthlings who can, and probably did, change the channel.

The strain is also affecting morale. "Management still wants super profits," says an ABC producer. "That has meant shrinkage in the number of management positions and in the ranks. Sometimes, in the speed-up [to bring on a show] there's a diminution in quality. It's not always perceptible. But the correspondent knows that a day would have made a difference." And with the new product, there is the prospect of ABC competing with itself. The new hour, for one, sounds familiar, expected to be part live, part tape and sometime town meeting. Says Donaldson, who will co-anchor the show: "The strongest competition we have is other ABC broadcasts. On Sundays I'm always gnashing my teeth because all the good stuff, Ted's had."

With the other networks in recent disarray, ABC News has had pretty clear sailing. But with Burke now heading CBS, the network could re-stake its claim as the clear leader. Burke's departure is at once a compliment to ABC ("Our number two is good enough to be their number one," says Bistany) and a serious loss, raising questions of management depth and succession. (No decision has been made to replace Burke, whose responsibilities have been divided mostly between Bistany and Wald.) Though Arledge says he is not "dying to do something else," he also says he is not "locked into" his current post, and the question of who would take over if he left ABC News is clearly disturbing to him. "That's a hypothetical question and I don't see anything gained by answering it," he says. "The answer is we have some very strong people here. Witness that CBS came to us to get their president." Of the top staff, Wald, now senior v.p., would seem a likely heir. Robert Siegenthaler, v.p./news and practices and third in command, is expected to announce his retirement next month after 28 years with ABC. Bistany, next in line, has been at ABC just five years. Recruited from the Reagan White House press staff, she lacks news background and the confidence of many staffers.

Also of possible concern is that ABC's key competitor now has its state secrets. Burke is already using Arledge signatures—like "blitzing" a big event with coverage and airtime. Perhaps the biggest change at CBS, though, is an end to incessant leaks to the press. Another Arledge influence. "Roone sent the signal to the troops that it is classless to bench people in the press," says Bistany.

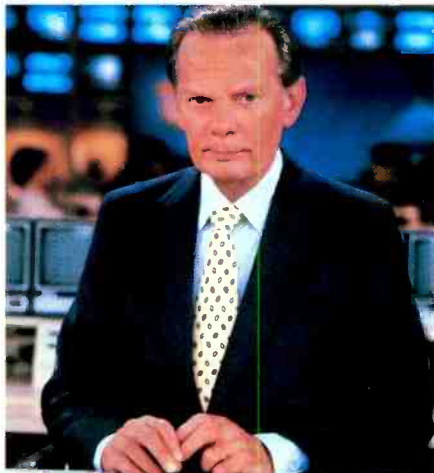
"What CBS once was," says Arledge, "we now are." The statement is flat and bold, but it may hold much truth if one considers, as *Village Voice* media critic Geoffrey Stokes says, that what CBS once was has been glamorized. "We forget that Ed Murrow was looking inside Marilyn Monroe's closet," he says. Because of the changes in the economics of TV, being CBS today means more than just aggressive and professional television reporting—it means being autonomous and powerful within the corporation, which happens by proving a division's financial worth. That being the case, Arledge's words may be truer than even he means them to be. ●

Contributing editor Cecilia Capuzzi last wrote about the Bravo cable network.

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By hiring established talent like Brinkley, Arledge built depth unmatched by others.

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Another invention: *This Week* with David Brinkley.

AT MIPCOM: A BUYER'S LIFE

What goes on at the international version of NATPE?

Channels follows an American program buyer to find out. By Peter Ainslie

It's show time in the south of France. At the Palais des Festivals on the shores of the blue Mediterranean, inside the monstrous concrete bunker of an exhibition hall that passes for *l'architecture moderne* in Cannes, more than 5,000 TV moguls gathered in mid-October to . . . rub shoulders, write checks and get rich from the increasingly international television business. They came from Argentina, from Zambia and from 71 other countries around the globe in a sort of Olympics of television, attending the five-day international programming bazaar known as MIPCOM (Marche International des Films et des Programmes Pour la TV, la Video, le Cable et le Satellite). And despite the diversions of the Côte d'Azur—casinos, Guide Michelin three-star eateries, local beaches that even on mild October days managed a handful of the requisite *dés-habillé* bathers—the attendees worked, traipsing the miles of Palais hallways lined with booths, screening rooms and multilingual salesmen. Unlike their brethren at the American counterpart, NATPE, by now more soiree than sales call, MIPCOM's multitudes go at things somewhat differently: They make appointments in advance, keep them!, buy a great many programs on the spot, cut coproduction deals, attend screenings. And not necessarily in screening rooms like NATPE's, those claustrophobic two-seaters outfitted with shrimp and Chivas, but often in plush 40-seaters that generally hold their audiences until the

programs end.

MIPCOM is a relative newcomer to the international program market, the younger sister to the larger market known as MIP, which has been held each spring for the past 23 years in Cannes. This is merely the fourth annual MIPCOM, but with the dramatic expansion underway in European television and the squeeze on American studios resulting from rising production costs and stagnant program-license fees, it is a show—and a market—that is growing rapidly in importance to the American television industry.

Colin Davis, president of MCA International, notes that a recent study of the market indicated that American companies made some \$800 million from European television last year, and projected that figure will rise to more than \$3 billion by 1992. "Three, four or five years from now, we might find the international market generating higher overall licensing fees for a TV series or movie than the domestic market," says Davis. "At that point, the whole world changes for us. Years ago, international was thought of as gravy," he adds. "If you got some, terrific. It's not gravy anymore, it's 'what can you contribute to



A&E's Carolyn Reynolds gets the program down outside Cannes' Palais des Festivals.

the deficit?"

With those kinds of stakes, American interest in the international markets has jumped. Some 238 American companies exhibited their wares at MIPCOM last year, 30 more than the year before. And more U.S. program buyers are going than ever before. When they do, they are inevitably struck by the atmospheric difference between NATPE and MIPCOM.

"At NATPE," says Carolyn Reynolds, director of performing arts programming for the Arts & Entertainment cable network, "you could have breakfast, lunch and dinner at the booths—anything you wanted. There's no food here because they don't want people to hang around for the food; they want us to buy programs. Europeans have a much more businesslike approach to an event like this." Reynolds buys all of A&E's music, dance and performing-arts fare, programming that represents some 12 percent of the channel's mix of shows. A witty, high-spirited woman who embodies the very antithesis of central casting's approach to a buyer of high-brow programming, Reynolds is humorous, irreverent, down to earth—and fully cognizant of the dream nature of her job: get-



ting paid to go to the ballet and the opera!

She is at MIPCOM because "a lot of program suppliers unveil their new stuff at the international markets, and in order to get a jump on the competition, you have to be there." There's also the networking aspect—"developing relationships so that people will bring you certain things they've got going." In her case particularly, working for A&E—the cable network owned by Cap Cities/ABC, NBC and Hearst that reaches 37 million homes with its mix of high-brow and pop-culture fare—MIPCOM is important: "Europeans just seem to have a taste for more cultural programming."

Prior to MIPCOM, Reynolds agreed to allow a reporter from *Channels* to attend the event with her, accompanying her to screenings, business lunches, negotiating sessions and other proceedings in conjunction with the shopping excursion. In an effort to offer *Channels'* readers insight into what goes on there, and into the nature of program buying and selling overseas, herewith an account of MIPCOM '88 and Reynolds' trip:

DAY 1

While most Americans fresh off the plane from the States are dragging a bit from jet lag, Reynolds is in fine form almost immediately, a condition she attributes to a homeopathic preparation

Entering the fray (above). Reynolds (right) with CFO Sy Lesser (far right) and James Arnold Baker, BBC Enterprises CEO.



called arnica that a friend in New York tipped her off to before she left. Among other uses, he told her, was that it eradicates jet lag. She describes the complicated regimen involved with the tiny, over-the-counter capsules, one that begins even before the plane takes off. But then she adds that in order for arnica to work properly, no alcohol can be consumed during the airplane ride, a much more likely explanation for her revolting display of energy.

She has a dinner engagement that very evening to meet with Bernice Coe, a New Yorker who is the principal behind Coe Film Associates (CFA). CFA, with over 7,000 titles, is the largest distributor of shorts, children's films, documentaries and specials in the U.S. An energetic, grey-haired woman, Coe has a reputation as something of a salonier who delights in bringing together interesting friends who don't know each other. Coe has done a lot of business with A&E over the years, and in fact at the moment has a coproduction proposal before the network. "It's an hour-long documentary on Neil Simon," explains

Reynolds on the way to the restaurant. "He's a very shy person, not much for being interviewed. But he's allowing these two producers to sit in

on his life, culminating in the rehearsals of his new play, *Rumors*. They follow him around rehearsals and watch to see what he does, as the writer, to put together the show. It's absolutely premier, wonderful stuff. So we are going to try and get discussions started on that."

But discussion of the Simon program is not on the agenda tonight. Coe has simply invited all three of the A&E people in town—chief financial and administrative officer Sy Lesser, director of documentary programming Charlie Maday and Reynolds—to dine with her. It'll be entered on the expense account under the "cementing relations" category.

DAY 2

Up and at it early. The Palais opens at 9 A.M. and Reynolds wants to hit the ground running. First stop is at the Unitel/Beta Films booth. Just before MIPCOM, Reynolds had cherry-picked a package of 13 Unitel programs—"the best stuff that's ever been on TV in the classical music area," she says, including a version of Verdi's *Requiem* sung by a thin, beardless Pavarotti in 1968, when



Watching a promo for *Les Mis* at NBD (above). NBD's Davies (below, right).



his voice was at its height. These programs, most of which have never been repeated, constitute her classical-music strategy for 1990, and Reynolds, who is excited about it, just wants to

say hello. She also inquires about screening a film called *The Jewelers Shop* that Unitel is distributing, a mystery starring Burt Lancaster that she's heard is quite good. It was written by a young Pole by the name of Karol Wojtyla, who became better known later in life as Pope John-Paul II. It's not available just yet so she settles for a brochure.

Before A&E, Reynolds worked as director of marketing and p.r. for the Aspen Music Festival, and had worked prior to that booking and managing the arts and lecture program for the University of California at Santa Cruz.

She finds the university experience not dissimilar to the work she's doing now. There's an always-reliable core audience that is really interested in the performing arts. What is challenging is to grow that core by bringing in a marginal audience with a mix of pop music and lighter-weight theater and dance. Once exposed, some of that marginal audience will presumably find its way back for the performing arts shows.

All of those programming genres (and more) are available at MIPCOM. In fact, with more than 500 companies exhibiting their wares—97 more than the previous year—and more than 900 buyers threading their way through the maze of narrow hallways, it is vital to launch an organized attack on the vast sea of

programming options. Reynolds has already purchased most of the programs she needs for 1989 and many of them for 1990. She brought with her a half-dozen or so concepts for programming, including, for example, a Russian arts festival; a "summer stock," light-weight theater festival; a French Revolution bicentennial celebration; a black dance extravaganza, and so forth.

"So as I go through here," she says, "I've got these concepts in my mind and I'm thinking, well, what's available? Oh, that would work with that, and then the pieces of the puzzle start coming together. I'm always working with these concepts, seeing what fits where."

One genre that won't fit, Reynolds has found, is jazz. She's wandered by the Videfilm Producers International booth to pick up some skinny on three plays she'd like to get her hands on (for her American theater retrospective), including

a production of Sam Shepherd's *True West*. Cable rights for the plays, as she well knows, are currently controlled by Bravo, the Chuck Dolan-operated cultural service that is presently in transition from pay to basic cable and

that, along with PBS, is the closest thing to a competitor A&E has. She wants to know when their rights expire, and VPI vice president Samuel Lockhart begins to pitch her a jazz series. "Jazz is a very hard sell for us," she tells him. "We don't know why. We've certainly tried with some very good stuff. We ran the *L.A. Jazz* series for a number of years and it just didn't pull any ratings for us, so we're shying away from jazz."

One of Reynolds' other quick takes on MIPCOM, in contrast to NATPE, is the remarkable abundance of high- and middle-brow fare for sale by non-American producers, along with a relative dearth of sitcoms and game shows. To be sure, *Roue de la Fortune* (*Wheel of Fortune*) gets the sort of hype one would expect out of the number-one game show in France, and a truly brain-damaged Japanese show, *Endurance*, is for sale, in which groups of masochistic Japanese men risk life and limb to complete pointless tasks (rowing across a lake with flaming charcoal grills strapped to their heads and backs), but much more in evidence are classy-looking documentaries and miniseries on people ranging from Stradivarius to Raymond Chandler. "The Europeans' more serious approach to the industry," notes Reynolds, "is also reflected in the kinds of programs they produce. TV is part of their art of

film, whereas Americans are much more entertainment oriented."

All of which makes MIPCOM an ideal shopping venue for the few American programming services with middle- and high-brow tastes. Reynolds is scanning a brochure for a film on Stradivarius starring Anthony Quinn at Reteitalia, Silvio Berlusconi's company, when, to her delight, she spots across the way a one-hour special by The Multi Media Group of Canada on *Le Cirque Du Soleil*. The Cirque, a charming one-ring circus that Reynolds had seen in New York last year, was founded in 1984 by a group of Montreal street entertainers with a very different approach to the notion of a circus. "It was one of the best things I've ever seen anywhere," says Reynolds. "Real theater magic." Speculating that it's the perfect kind of show for The Disney Channel, she has no more than gotten the words out of her mouth when a Multi Media rep allows as how they are negotiating with The Disney Channel, which has called every week for two months in an effort to open negotiations on the show. Undeterred, Reynolds explains the nature of A&E and says she'd be interested in buying it *after* Disney. "Say they had it for a year exclusive and a year non-exclusive," she says, "We might pick it up in their non-exclusive year and let it rest that year, then show it the next. We wouldn't show it while it was on Disney."

By now it's lunch time. The roar of the beast is dimming and the Palais is beginning to resemble a ghost town. Unlike NATPE, where a slight drop in traffic is evident around noon, at MIPCOM lunch is a sacred event, and the outdoor cafes that line rue Félix Faure just across from the Palais are thick with people and deals being cut. Reynolds has a date with Nicky Davies, managing director of NBD Pictures Ltd., a London-based production and distribution firm that is one of A&E's suppliers. NBD currently has a documentary in the works that Reynolds is hot for. The program would chronicle the assembling and preparation of various foreign casts for the musical *Les Misérables*.

Although A&E has already scheduled the 1987 Royal Variety Performance of *Les Mis* to run in the summer of '89 ("Do we need to do yet another?" Reynolds asks herself), her interest is still high, partly because the music from the show is so wonderful and partly because it would fit in nicely with A&E's plans to program shows that will tie in with the celebration of the French Revolution in 1989. "Certainly the content is fabulous," Reynolds says. "But it looks like it's going to be an unbelievably expensive production because of all the rights

to the music and all the casts. My guess is that they'll have to get clearances for every bar of music they use, which ups the price enormously, because music clearances are very expensive. Plus the musicians—there's a whole orchestra that played the music and they all get some kind of residuals."

The bad news comes over an astonishingly good meal of *bourride*, a thick and hearty fish stew that was once peasant food in Cannes but that has over the years taken on the aura of haute cuisine (and high price). It's a local specialty and one taste clarifies any lingering questions about why MIPCOM takes lunch so seriously.

The price Davies wants for A&E's standard acquisition contract (two years, ten plays, exclusive first-run) is five times what the network typically pays for an hour of programming. ("About what I expected," Reynolds says later.)

Reynolds' next move: "To look at what I have left in my budget to spend and then predict the highest rating I think it will get and then how I could justify it in terms of a business decision. Ultimately, all I do is present my programming to senior executives, who form an acquisitions committee. And then the pros and cons are weighed in that committee to make a decent business decision. But it's very possible that they'll think that it doesn't, and if it doesn't go beyond that committee, it doesn't go, no matter what I think about it."

And how does Reynolds project the ratings? "Basically I would have to make a guess, and assume that there would be proper promotion for it, both on air and in the guides." A good rating for the show—and the best rating a Reynolds-purchased show has ever gotten, from *Hollywood: The Golden Years*, a six-part history of the RKO Studio that aired last summer—would be a 2.

[Some weeks after MIPCOM was over, Reynolds got her answer from the acquisitions committee. They said no, they couldn't justify the kind of money NBD was asking for *Les Mis*. As a result, Reynolds went back to Davies and asked if she would sell A&E a one-month window next July, during the French Revolution's bicentennial, which would permit her to show the program six times. Meanwhile Davies has offered the show to PBS, telling A&E that if PBS buys it, she'll give them their window *after* that.]

The process Reynolds describes of projecting ratings and then putting a show before the acquisitions committee is not unique to *Les Mis*. It happens with all programs she wants to buy. But the task of projecting a rating is particularly complicated in A&E's case, because the network usually schedules its programs, down to the day and time, more than a year in advance. It's thus impossible to know what it will be up against on other

networks, or to weigh other variables that may influence a program's pull. There are further complicating factors: "Nielsen families have a certain profile that isn't necessarily the demographic of A&E viewers, particularly in the performing arts," explains Reynolds. "Our demos are very upscale, highly educated, community leaders, which means that they're out there doing community leading, going to the symphony and the ballet. They're not the kind of people to allow a Nielsen meter in their house. So they're not measurable—we can't predict a rating based on them—because they're literally not on the meter."

At 3:30 that afternoon,

it's back to the Palais for an appointment with Dawn Stevenson, TV sales manager for Picture Music International (PMI), the video division of Thorn/EMI, the British entertainment conglomerate. PMI has a wide range of programming, much of it music oriented, and much of that in the pop-music vein. Just prior to MIPCOM, though, Reynolds acquired a documentary from PMI about the life of Maria Callas, for airing in January 1989. Thorn/EMI was Callas' record company, and thus PMI had access to original soundtracks of her singing, a great enhancement to the documentary. But on today's visit, Reynolds is more focussed on

Having sold Reynolds a Maria Callas show, PMI's Dawn Stevenson pitches South African Johnny Clegg.

.....
 'At NATPE, you could have breakfast, lunch, dinner at the booths—anything you wanted. There's no food here because they don't want us to hang around for food; they want us to buy programs.'



her marginal viewer, and peruses PMI's pop music offerings. There's a variety of new things available, including white South African musician Johnny Clegg and an anthology show of South African music under the title *Sounds of Soweto*. But what most interests her is the pop group Talking Heads and its concert film, *Stop Making Sense*. Stevenson says she'll check to see if it's out of syndication in the U.S. and ready for cable sales.

By 5:30 it's time for a press conference with Irish musician Bob Geldoff. Geldoff, after organizing the fundraising concert for world hunger known as Live Aid, has discovered a second career as a crusader. And today he's off and running on his latest venture: calling attention to the sorry condition of the planet earth. Geldoff, having purchased the video rights to the Norman Meyers book *Gaia: A Book of Planetary Management*, has been raising money and assembling film crews to translate the book into an eight-hour television series, and has come to MIPCOM to get that ball rolling. Although Reynolds had read the book some years ago ("Brilliant") and admires Geldoff's public-spirited energy, his endeavor is not actually within her bailiwick (it would fall to her colleague, Charlie Maday). She has come to the press conference partly because she is looking

for two Irish television producers from Frontier Films, a small, Dublin-based company that makes pop-music programming. She wants to schedule a dinner with the pair, Bob Collins and Gerald Heffernan, to discuss one of their series—*Sessions*—she's interested in. She finds them and makes a dinner date

for that evening, at which she continues discussions begun some months earlier in New York. [When Collins turns up in New York a few weeks after MIPCOM with a rough cut of a recently taped episode, Reynolds is impressed with the quality of their work and agrees to buy the entire series.]

DAY 3

Reynolds is up early, despite having stayed out late the night before. Much of MIPCOM reconvenes after dinner at the Hotel Majestic, the Carlton or the Martinez for further deal-making and storytelling into the wee hours. Nevertheless, by 10:30 A.M. Reynolds is back on the case, having covered some more of the booths at the Palais and ready for her first appointment of the day. It is with Helen Asquith, director of TV sales for the National Video Arts Corporation (NVC), a London-based producer and

distributor of first-rate performing-arts programs. Asquith has a number of things to show Reynolds and COO Lesser, beginning with a new series called *Opera Stories*. For that, NVC has flown actor Charlton Heston to the sites of ten well known operas (to Egypt for *Aida*, for example) and, using stock footage of the operas, has him walk viewers through them, explaining the storyline. It's a sort of opera primer, and perfect for A&E's marginal audience. Since only a few of the ten shows have been shot, it's a chance for Lesser and Reynolds to weigh in with production suggestions, and at Asquith's suggestion, they make several as the sample reel unrolls, including one by Reynolds to rename the series *Operas by Chuck*.

Next Asquith shows them *Messa per Rosinni*, a mass written by Giuseppe Verdi and 12 other composers 120 years ago to honor the memory of Verdi's friend, Rosinni. The music was lost after its initial performance and unearthed only recently, receiving its world premier last year in a magnificent baroque church in Germany, a performance that was taped for television. Laughing, Reynolds maintains it *all* sounds like Verdi to her, and then imagines a scenario in which all 12 composers come and see Verdi one by one, claiming to be unable to meet their deadlines. Verdi tells each one in turn, "Oh all right. I'll do it." The ease with which she moves between musical worlds—from Talking Heads to Verdi—is remarkable. At one point during Verdi's section of the Mass, she notices that one extended passage was recycled into one of Verdi's own operas some years later—and that parts of it were altered slightly in the process.

Finally, Asquith shows them excerpts from a three-part production chronicling Yehudi Menuin's return to the Soviet Union in 1988, after being asked to leave on account of rudeness during his last visit 25 years ago.

That completed, it's off to lunch once more, where Lesser and Reynolds have a few final points to clear up with Asquith on a contract they're close to signing with NVC for A&E's purchase of a production of Mozart's opera, *Abduction From the Seraglio*.

Over lunch, Asquith and Reynolds bemoan the difficult economics of performing-arts productions. In addition to the license fees for merely performing the work, each musician, dancer and singer also gets paid royalties for the initial airing of a program, as well as residuals for subsequent airings.

"Residuals actually prevent us from making a number of sales," says Asquith, who points out that in England, license fees are set by law. Thus residu-

als, unless the musicians are willing to compromise, can come to more than the license fee will bring in.

Conversation then turns to the BBC. A&E has a longstanding, complicated agreement with the Beeb that obligates it to buy a minimum dollar amount of programming each year, programming that represents between 20 and 25 percent of the A&E schedule. The agreement initially existed between the BBC and The Entertainment Channel, the Rockefeller Center-owned pay channel that eventually failed. ABC ARTS, a struggling basic-cable cultural channel, was about to fold as well when Lesser came up with the idea of combining the two into the Arts & Entertainment channel, which would assume TEC's contrac-



As close to the Mediterranean as Reynolds got, she found the serious, businesslike European approach reflected in the high quality of their programming: 'For them, television is part of the art of film.'

tual obligations with the BBC. Lesser wrote a business plan that convinced ABC ARTS' corporate parents at Hearst and ABC that A&E would fly. Since then, the BBC has been a valuable resource for A&E, although more so in the documentary and drama areas than in performing arts. "The BBC does a lot of stuff in music and arts that's just not to the American taste," says Reynolds. "There are lots of U.K. performances with soloists that aren't known in the U.S. And we have found that Americans are into star power. They want a star conductor, they want an Itzhak Perlman or Pinchas Zuckerman as the violinist, and when they get that, they watch."

In a recent renegotiation of the BBC contract, A&E's obligation to buy programs was revised downward. But even as A&E gets more successful (it began making money two years ago), and able to afford more original programming, it is likely to maintain its commitment to the BBC at the current level.

Then the trio launches into a discussion of fine points that must be cleared up before the *Seraglio* deal can be closed. NVC has changed its contracts and Lesser is not as familiar with them, so he asks for clarification on a number of points having to do with start dates, payment schedules and so forth.

Buying things as far in advance as A&E does, NVC wants to ensure that it knows the approximate airdate. "If you buy them and then don't play them for a year or 18 months or, in the case of the Mozart piece, two years, NVC doesn't want to keep it off the market two years before you play it," says Reynolds. "So they insist on a clause that says that payments and the airdate time start ticking at a certain point, and that you can play it at any time you want in there, but your meter is ticking. If not, people could keep things off the market for years, and the distributor would have a terrible time making a living."

After fifteen minutes or so on the fine print, everything is in order and the contract is signed at the lunch table. "So we have an agreement?" inquires Reynolds. "Yes," says Asquith. "Good," says Reynolds. "Mozart's on his way."

That afternoon, two screenings are on tap. One is an unsatisfying documentary on the life of master detective novelist Raymond Chandler. The other, a biography of singer Nat King Cole, by PMI, eloquently captures his life and times. Reynolds decides to pursue it for A&E.

DAY 4

Reynolds has a last but quite important lunch with one of her major resources, London-based RM Associates. They have requested that she come alone, as in no journalists, and when she returns, it is clear why. After dotting i's and crossing t's on contracts for two program deals she's been negotiating with them, they proceeded into a full-court press on a variety of new programs they want to sell her. They wanted nothing cluttering their pitch. For Reynolds, the lunch symbolizes perfectly the difference between MIPCOM and NATPE. At MIPCOM, the atmosphere is so much more aggressive. "When Americans take you to lunch, they want a break from the grind," she says. "Europeans will take you to lunch, too. But they don't let up. From the appetizer to the cappuccino, they're always on point."

The exhibits at the Palais are still open for another hour, but Reynolds is not. The show has clearly been a success for her. "I found stuff I'm considering buying. I got some leads about programs being made that I'd like first access to and I met the people I needed to meet." Having said that, she puts down her pencil and goes shopping. Among other things, she needs a fresh supply of arnica to get her home. ●

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Donaldson, Lufkin & Jenrette

February 1989

Searching for Opportunities

The cable-system business is rapidly maturing, and with that growing sophistication comes new pressure from subscribers, shareholders and others to examine what the 1990s hold.

The business of operating cable television systems has changed from one dominated by the process of wiring homes to one centered on a host of other, vastly different concerns. Marketing, programming, customer service and developing untapped sources of revenue are the issues of the moment.

But the cable industry, now in a solid position as a vital and perhaps dominant piece of the television-industry mix, is also starting to look toward its future. Faced with inevitably growing competition from other expanding sources of video material—the home video, satellite and telephone industries, to name just three—cable is starting to catch its breath and look to the '90s, a future marked by looming threats and important opportunities.

This In Focus section examines key parts of that emerging agenda. First, Harvey Solomon examines the future of one of the keys to cable's governmental-relations agenda—the franchise. Even now, two years after cable's deregulation victory party, mu-

nicipalities are making plans to take on operators when their franchises come up for review in the next decade. Next, *Channels* senior editor J. Max Robins looks at the cable industry's first major foray into industry-wide technological research with a preview of what's ahead for the industry's brand new Cable Labs. Executive editor Jack Loftus demystifies Nucable and explains why Tom Wheeler and his well heeled partners think they may be well on the way to a set of intriguing opportunities to, among other things, challenge the newspaper industry's grip on classified advertising—one angle on those new revenue streams vital for MSO growth. The section then examines the agendas for 1989 and the future of the top 20 cable operators, companies that in many cases have differing views on growth in the '90s.

While it's not easy to forecast with any certainty precisely what lies ahead for cable, it's less intimidating to plot the issues. Operators who aren't thinking ahead to franchise renewals, new sources of advertising and their technological future are, to be sure, short-sighted and in the minority. ●



ILLUSTRATIONS BY TERRY ALLEN

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Refranchising: Cities Fight Back

With their clout diminished by the '84 Cable Act, cities seek new ways to assert themselves at franchise-renewal time.

BY HARVEY SOLOMON

Scarcely it seemed had the ink dried and the dust settled on cable TV's franchising frenzy that began in the late '70s when, lo and behold, it's time to do it all over again.

In thousands of communities across the country, refranchising negotiations are under way, and more are entering the fray as the first major wave of franchises continues to expire. In all, some 40 percent of the nation's 8,413 cable systems will be involved in the process within the next five years.

And what cable operators are finding in today's vastly different regulatory environment is a new kind of tension hanging over the proceedings. With the powers of the franchising authorities significantly curtailed by the Cable Communications Policy Act of 1984—most notably in the cities' inability to regulate basic cable rates—cable operators are encountering communities that are intent on strengthening their hands in the areas in which they still can exercise enforcement. The communities are older, wiser and more familiar with the ways of the cable world. And, almost inevitably, they have developed strong opinions on such issues as customer service, installations, outages, low-income discounts, multi-dwelling units, line-extension policies and so forth.

Cable operators, on the other hand, couldn't be happier with the regulatory changes, particularly with the degree of stability brought about by the Cable Act of 1984. "Before that," says James Duffy, spokesman for the nation's second-largest multiple-system operator, American Television and Communications, "there was no assurance whatsoever that the cable operator was going to get a franchise renewal. If the mayor's brother-in-law wanted the

cable system, he could get it. It was an arbitrary kind of renewal process."

Duffy argues, however, that the regulatory changes were a two-way street, with both sides giving and getting. "The Cable Act was essentially a compromise between the cities and the cable operators," he says. "They were given a higher franchise-fee cap, 5 percent, and many have taken advantage of that. So we gave on that score, and we picked up the just-cause franchise-renewal clause, and we also picked up the deregulated basic tiers."

But it was the deregulation of basic rates that inflamed the most ire among the cities, and continues to raise their hackles more than any other aspect of the Act. Rate freezes written into pre-1984 franchise agreements were by and large voided by the '84 Cable Act. "Getting [rate] guarantees into a franchise and making them reality are two different things," says Cynthia Pols,

the National League of Cities' (NLC) general counsel, office of federal relations. "This is the history of relationships between cities and cable operators," says Pols. "The franchise will say one thing, and it will bear no relationship to what actually goes on.

"The importance of rate regulation was that it enabled the city to enforce other franchise requirements, because the cable operator had to come to the city for approval of its rate increase," says Pols. "That gave the cities an opportunity to deal with other outstanding problems, like customer-service problems, etc."

Nationally, the cities' loss of leverage has led to renewed acrimony between the National League of Cities and the National Cable Television Association, culminating with the NLC's decision to support limited telephone company entry (subject to conditions) into the cable business and a revisiting of the Cable Act as primary goals in its 1989 Capitol Hill agenda. "Cities can no longer afford to be in a world where there is neither competition nor regulation," Tucson mayor Thomas Volgy told the NLC's annual convention last December. "We need one or both."

It doesn't necessarily follow that relations between individual communities and their cable operators are as disharmonious. Says Bob Thomson, Tele-Communications Inc. v.p. of government affairs: "The NLC, a Washington lobbying group, and the NCTA, a Washington trade association, each have their jobs to do. Part of those jobs



CTAM president Margaret Durborow (left) and TCI's government affairs v.p. Bob Thomson.

is posturing and coalition-building and doing the other things that are intrinsic to a legislative battle."

TCI, Thomson maintains, enjoys amicable relations with the vast majority of cities in which it operates. "We work hard at extending olive branches to the city organizations—National Association of Telecommunications Officers and Advisors (NATOA), National Federation of Local Cable Programmers (NFLCP), and others," Thomson says, "and I would not say you can judge the relations out in the field by the rhetoric which you hear within the beltway."

Away from Washington and out on the front lines, franchising help is available to both operators and cities. MSOs provide some corporate support, both legal and strategic, to their operators. And trade organizations such as Cable Television Administration and Marketing Society (CTAM) have developed seminars to address key issues. CTAM's seminar "came out of a study we did with general managers," says CTAM president Margaret Durborow, "that showed that relationships with their franchising authorities was one of the things GMs were least comfortable with."

That comfort level can drop even lower when operators encounter their bane: the franchising consultant. An outsider who provides expertise to communities not so well versed in cable's myriad legal, technical and other specialized areas, consultants are often disliked by operators, who claim that they can induce their client communities to submit lengthy "want lists," irrespective of subscribers' real needs, and that these ultimately delay the franchising process. "Some are just looking to run up their hours and prepare a license by the pound," says one MSO franchising official.

In lieu of rate regulation, the current trend among communities involves replacing vague language from the franchise agreement with stricter, more specific provisions. "The main issue is tightening up the ability to enforce, especially now that rate regulation is not



one of the tools a city can use," says Harold Horn, president of CTIC Associates, a Washington-based consulting group that has advised hundreds of communities.

In rural communities where cable is available only to part of the population, service to the entire community often becomes the paramount issue. In cities, where full service has always been available, the focus may be on more urban issues like low-income discounts and Equal Employment Opportunity requirements.

"It often depends on the relationship that's been established by the company and the community," says Horn. "The company that's done its job and had very little vibration usually goes through the process with no sweat at all. Those who are constantly challenging the public or the city council, defying or ignoring the public's wishes, are in for real trouble."

Exemplifying such a cavalier operator attitude in a recent urban build were the instructions from a construction supervisor to his crew regarding an unethical if not illegal aerial span: "Put it up," he told the crew. "If they complain about it, we'll talk about taking it down later." Among the vast

array of technical, financial, legal and subscriber considerations, cable operators and regulators alike rank customer service as the preeminent franchising issue. "More and more, we are finding that local authorities are asking us to include in our franchise agreement some type of customer-service standards," says Jerry DeGrazia, Warner Cable's senior director of government relations. "Warner has a very comprehensive set of internal standards that track such areas as phone, installation and technical performance, so we're fairly well prepared," says DeGrazia. "Sometimes, however, it's difficult to translate our internal guidelines into franchise language."

While customer-service issues run the gamut from scheduling installations and reporting outages to ordering pay-per-view events, the trick often involves getting through on the telephone in

the first place. Response time, measuring the amount of time before a live person answers a call, has become a hot issue.

Stringent customer-service provisions have been written into a number of renewed licenses. Language calling for a free installation if the installer fails to show for two previously scheduled appointments has been added to the franchise agreement of Cablevision's Boston system.

Several recently acquired TCI systems in the St. Louis area require specific day-part scheduling for installations; 24-hour, seven-day-a-week response to outages; and minimum numbers of customer-service reps on duty weekdays and Saturdays.

While some operators have instituted effective customer-service operations, overall industry performance remains incredibly deficient. "The operators don't like it, but at the same time most of them recognize this is kind of an Achilles' heel," says Horn. "Customer-service issues are pretty hard for operators to argue against, but in the past there's been no way to enforce [them], so we're tying the language to some enforcement provisions."

CTIC's recommendations have pro-

duced "liquidated damages," which typically specify daily \$250 fines until a problem is resolved, for a number of franchises. At least one operator in California has violated its agreement and been required to pay such a fine. "It's what we refer to as a replenishing letter of credit," explains Horn. "It's a mechanism where, as a part of the wording of the contract, you give the company notice that there's a problem that needs to be corrected. Failure to recognize or act then initiates this process whereby the city manager or mayor issues an order directing that it be changed, and setting a public hearing date so the operator is given due process to come forward and present his side of the case, if he feels it hasn't been adequately presented. Failure to still comply or correct the problem then leads to the automatic drawdown on the letter of credit at a per-diem rate." (One operator scoffs that such provisions could be easily abused by a financially troubled community pumping the licensee for an additional revenue stream.)

The vast majority of communities have not found it necessary to resort to such harsh measures. "If customer service has been reasonable, you have the trust of the community that, over time, you'll do the right thing," says Margaret Sofio, v.p. and New England counsel for Continental Cablevision. "Any cable operator is going to have a certain number of problems occur, and you get judged on how well you cope. We're making advances with more sophisticated phone systems, with consolidation that can allow for longer office hours and with increasingly set appointments for mornings or afternoons. That's the general way the industry is going, understanding the need to improve customer service. But if you have a track record of showing those improvements and that concern, then a city or town doesn't feel it needs to spend a lot of time focusing on it."

A second major area of refranchising concern, technology, has proven much less contentious for operators and communities. Though each has different agendas, both see mutual advantages in up-to-date technological systems. The technology issue, however, inevitably spills over into more volatile related areas. "Franchising authorities are focusing on the desire to make sure that

systems stay current technologically," says DeGrazia. "This has always been a concern, but obviously, with more talk about fiber optics, telco entry and things such as that, they're concerned about how systems will keep abreast."

Relegated to discussion and drawing-board stages for years, fiber optics has finally begun emerging as reality in many cable-system trunks. Virtually all of the top MSOs have moved beyond experimentation to implementation in a number of major-market builds and rebuilds, including New York City, Washington, D.C., San Francisco, Kansas City, Orlando, Fla., and Columbus, Ohio. Fiber-optics decisions have ultimately been driven by that key motivator, cost-effectiveness.

"The incursion of fiber will be a result of economics," says TCI's Thomson. "As soon as the fiber gets to be cheaper than coaxial cable, you'll see

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If you're close to renewal, do you risk making improvements now, and not have a Christmas package for the community to open at renewal time?

.....

more and more of it used, first for trunking purposes and then perhaps for other purposes. And that's always the way we've done business. As soon as a technology becomes practical and feasible in a commercial setting, then we move very quickly to put it into effect—much more quickly than any other competitor on the horizon."

ATC's Duffy indicates that the drive to install fiber optics is motivated at least in part by concern about telco entry into the cable business: "Cable companies, to show that we're not just rolling over and playing dead in the face of the competition, have already announced plans to put fiber-optic backbones on a number of systems to augment the coaxial plant already in place. It cuts down the need for amplification, adds to the number of chan-

nels available and also provides a much clearer delivery of a signal."

While fiber optics may today be viable only in larger system's trunk lines, rebuilds and upgrades of existing coaxial cable plants surge along. Franchise renewals play a key role in this construction, as both operators and communities want the capability of more channels and addressability now, and perhaps HDTV and other developments in the future.

Yet an interesting Catch-22 arises. Says one MSO franchising official: "You can end up getting caught in a crunch. You want to make improvements, but you're kind of close to that renewal period. Do you risk making that investment now, and not have the Christmas package for the community to open up at renewal time? It's a question of synchronizing what needs to be done with how many years you have left to operate the system."

The length franchises run has come to play an increasingly prominent role in refranchising. Operators, loathe to make costly outlays in rebuilds without sufficient time to recoup their investment, aim for the longest possible term, while regulators seek to maximize operator accountability by minimizing a license's length. "More and more authorities are less willing to grant long-term franchises, or the standard 15-year term that the cable industry utilizes for the most part," notes Warner's DeGrazia.

Several states, including New York, Connecticut and Massachusetts, stipulate a ten-year maximum-renewal term, and cable lobbyists' repeated attempts to support state legislation increasing that figure to 15 years have continually failed. Operators still press communities for longer terms, but few have succeeded. "There's a lot of feeling when you get to the negotiation table that that's the last thing you give away," says CTIC's Horn.

The most notorious giveaways of franchising's bygone days involved local programming facilities and financial support. Yesterday's overly optimistic proposals of myriad access channels for seniors, educators, municipalities, libraries, minorities and so forth usually translate today into a single, under-utilized channel. It's hard to find an MSO that hasn't gone pleading to a city for relief, citing the heat of competitive franchising and subse-



Warner's government-relations chief Jerry DeGrazia and Boston cable official Tom Cohan.

quent lack of community interest.

One MSO veteran recalls a particularly lavish production studio: "It's called the 'holy shit' building, because every time you take a VIP through, the first thing they say when they go in the door is, 'holy shit!' You could park a 747 in one of the studios."

While local programming has assumed a lower priority in franchising, programming often becomes a major yet unenforceable problem. Communities cannot demand carriage of specific cable services, as USA learned the hard way after its removal from Jones Intercable systems last fall. "As an operator, we want to make sure we maintain operational flexibility so that as our markets change and the regulatory structures change relative to syndex and other issues such as that, we're able to modify the programs we carry so as to maintain a viable business," says Warner's DeGrazia.

Situations where operators have eliminated or refused to carry particular services abound, with the biggest recent example being Cablevision's New York area dropping of the Madison Square Garden Network. Such incidents often stir even more vocal outrage among subscribers than price increases, but sometimes an opposite reaction can occur. During a recent franchising, one town council received petitions signed by nearly 20 percent of its residents, demanding

that they prohibit the operator from offering The Playboy Channel.

There are also other areas in which more informed communities are making demands. Aiming to be responsive to its residents, many communities are now considering "lifeline" services, which allow discounts on basic service to low-income and/or senior citizens on Medicaid. The most vocal proponent has been Thomas Cohan, director of Boston's office of cable communications: "The danger to society is [between] the information haves and the information have-nots, which will only broaden the gap between the economic haves and have-nots. In my mind, that contradicts everything local, state and federal government is all about. Our purpose here is to close that gap, and not among trivial things. The cable industry may still argue they're a luxury, but I think that's quickly passing into their becoming more and more an essential service."

Other discounts of varying degree have been instituted in communities including Charleston, W. Va.; Reno, Nev.; and Cedar Rapids, Iowa. Operators invariably disparage this practice, claiming that other subscribers will ultimately subsidize any such discounts. "For the most part, even though authorities may have initially requested it, usually by the time the franchise process has ended they've decided not to pursue it," says DeGrazia.

Another key constituent element, especially for cities, concerns EEO hiring

and training policies. In the past, operators invariably hired out-of-state, travelling gypsies to construct most systems. An industry veteran remembers one morning when part of a construction crew arrived in a police car, having spent the previous night in jail following a drunken brawl. Under considerable pressure to hire and train local residents, operators are slowly improving their records.

Boston's renegotiated agreement includes the highest standards for any company in the city: 60 percent, 30 percent and 30 percent for Boston residents, women and minorities, respectively. "We want Cablevision to be somewhat of a model for some of the other businesses coming into Boston, particularly construction businesses," says Cohan. "It's a better reflection of what the city looks like these days, and I think they're making good progress in meeting those goals." Cablevision will also provide \$250,000 over the next five years for job-training programs.

Two of the most closely watched of the upcoming urban franchises will be ATC's wholly owned Manhattan Cable and co-owned Paragon Cable systems in New York City. Many communities adjoining major metropolitan cities will also undergo franchising negotiations, and CTIC's Horn sees some interest in overbuild and municipal-ownership possibilities: "Those issues are coming up for debate before city councils. I haven't seen any major shift in terms of actual results, but they are getting more consideration."

While initial franchising may have become too much of a one-upmanship political game, it's clear that constituent concerns now drive the franchising process.

"Elected officials are addressing all cable TV problems through the eyes of their constituents, our customers," says one MSO franchiser, "and there'll undoubtedly be more of that." Regulators recognize the importance of dealing with all cable problems, regardless of their origins. "From our perspective," says Boston's Cohan, "if we can't get problems resolved quickly, they become not just cable problems but constituent problems for city government." ●

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Free-lance writer Harvey Solomon previously worked in cable franchising for several MSOs.

Cable Labs Swings Into the Future

The cable operators' new research consortium will be a clearing house for new technologies, taking advantage of third-party discoveries. **BY J. MAX ROBINS**

Dr. Richard R. Green rises early, usually by 6:30 A.M., and activates the day by reading résumés. Green, the president and CEO of Cable Television Laboratories, heads up a research consortium in start-up mode. And with the cable industry under technological assault, there is precious little time to staff the place and get it up to speed. "There is so much we need to do immediately," says Green. "The technology is moving so quickly—especially in regards to HDTV and fiber optics."

The mere existence of a cable research consortium that has the support of cable operators representing more than 80 percent of cable subscribers would have been an impossibility just a few years ago. The fact that Cable Labs is now a reality is testament to how quickly the cable landscape is changing.

What prompted the vast majority of operators to agree to fund Cable Labs? According to one of the men credited with originating the concept, cable pioneer and president of Eidak Corp. Richard Leghorn, the answer is "fear."

Leghorn began promoting the idea of a research consortium funded by cable operators about five years ago, but back then the operators weren't in much of a mood to buy his pitch. "I first presented the [Cable Labs concept] at a National Cable Television Association meeting in 1984 and everybody listened to me very politely, but it was obvious the idea was premature," remembers Leghorn. "Nobody was thinking about research and development—they thought coaxial cable would last forever. Back then everybody was in acquisition mode—all they were thinking about was grabbing turf."

By the summer of 1987, much had changed in cableland. The industry was finally ready to listen to Leghorn. Research on HDTV was moving quickly toward the implementation stage and the telcos were lurking huge on the horizon, ready to pounce on the cable operators' turf. "If greed wouldn't get [the cable operators] behind a consolidated research and development effort, then fear would," says Leghorn, punctuating his analysis with a wry laugh.

If there was one cable operator who was crucial in bringing his colleagues around to the concept it was, big surprise, Tele-Communications Inc. chief John Malone. Without the participation of the biggest MSO, the Cable Labs would not have had a chance of succeeding. "I said, 'John, this isn't going to happen without you,'" says Leghorn, who sold his idea by appealing to the engineer behind the cable mogul.

"John understands how technology happens and he knew the time was right for [the Cable Labs]."

Once Malone signed on, the other major operators fell into line—as Malone goes, so goes the cable industry—and elected him chairman of the consortium. While Cable Labs will maintain an office in Boston, its headquarters will be in the Denver/Boulder area, Chairman Malone's (and TCI's) backyard.

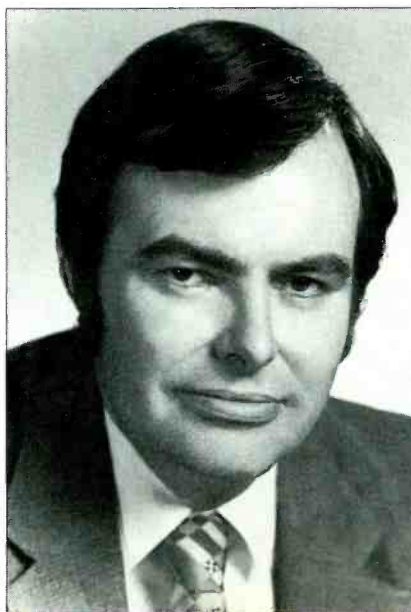
The model for Ca-

ble Labs was derived from a study conducted by Leland Johnson, a senior economist at the Rand Corporation. Johnson studied a number of research consortiums, including the telcos' Bell Communications Research (Bellcore) operation and the energy industry's Electric Power Research Institute (EPRI), to derive a working model.

"I saw real parallels between the situation of the electric utilities and the cable operators," explains Johnson. "Both industries have traditionally been dependent on their suppliers for R&D. And both face pressures from powerful outside concerns—the pressure put on the electric utilities by the oil industry parallels the cable industry's relationship with the telcos."

The proposal for Cable Labs that has been put into place owes much to the EPRI model. Like the electric utilities concern, Cable Labs is funded by members whose dues are calculated by the number of subscribers they have. Each of the cable operators involved in the consortium has agreed to pay 2 cents per subscriber to fund Cable Labs' yearly budget of roughly \$8 million.

The blueprint for Cable Labs calls for an entity that steers and evaluates third-party R&D, more than one that conducts such work itself. "We would like to avail ourselves of existing [R&D] facilities in the public or private sector," says Green. "We will work with suppliers to the cable industry and also take a look at what government labs are doing."



Cable Labs' new president, Richard R. Green, puts HDTV and fiber optics at the top of the facility's agenda.

There is a sense among Cable Labs' board members that too often they've been seduced by the glamour of a new technology—a syndrome Green calls "technology hedonism"—and then been burned because it makes little economic sense. Early experiments with interactivity, for example, were perhaps premature. While hardly Luddites, the cable operators are taking a cautious approach toward how their consortium will conduct research.

"We didn't set this thing up so a bunch of guys in short pants would be sitting around a laboratory trying to amuse each other with what they could invent. We did it to direct research so it makes economic sense to our needs," is how Cox Cable president James Robbins delicately describes Cable Labs' mission. "It's going to be businessmen who run this thing, not a bunch of white coats."

Cable Labs is a kind of Consumers Reports for the industry," is how Rand Corp.'s Johnson envisions the consortium working. "Cable operators don't always have R&D capabilities to evaluate new technologies. They need that kind of help."

Cable Labs' viability will quickly be put to the test when it sets its agenda vis a vis HDTV. Once the facility is staffed up, HDTV is the first item on Cable Labs president Green's agenda. "This is the time for us to get our liks in on HDTV if we want a system to be adopted that fits our needs," explains Green. "The key issue is that whatever system is decided on passes cable without any quality degradation"

The Cable Labs' HDTV agenda goes beyond technological concerns. According to Green, the advent of HDTV is of great economic consequence for the industry's future. Any research that Cable Labs is a part of must address marketing concerns surrounding HDTV technology.

"We don't have the same technological restrictions as other media, so there's room for some flexibility and creativity on how we approach the [HDTV] market of the future," Green observes. "If consumers are interested in wide-screen 35mm quality in the home, we have advantages in serving that market—this has to be integrated into cable systems' future plans. I personally believe consumers want higher quality. VCRs have already started

to address that market. Maybe it's time for [cable] to take charge as the pacesetter in providing quality picture."

Another item high on Cable Labs' agenda is fiber optics. The cable consortium has contracted with the Arthur D. Little Corp. to evaluate on-going fiber research, to aid operators in reaching a consensus on how they will integrate fiber technology.

"All the fiber manufacturers would love to have two fibers going in to every home—all the cable operators have to do is decide which technologies they want," says Cable Lab godfather Richard Leghorn. "That's what Cable Labs' job is—to help [cable operators] decide what the hell they want."

Some cable industry observers believe that Cable Labs is too little too late—a relatively inexpensive effort for cable operators that makes it appear they aren't just going to roll over and surrender when the telcos make their inevitable assault.

Indeed, when compared with other industries' R&D consortia, the cable-operator effort appears slight. Members pay 2 cents per subscriber in dues to support Cable Labs. EPRI, the electric utilities consortium, for example, receives about 10 cents per customer. Cable Labs' \$8 million annual budget seems paltry compared with Bellcore, the telcos' consortium, which has a budget approaching \$1 billion. Further, Cable Labs membership dues represent only one-tenth of 1 percent of revenues. Even Leghorn admits that's a relatively small commitment for cable operators to make, given the importance of the Labs' mandate.

"[Cable Labs] could work or it could be just window-dressing," says Dennis McAlpine, an analyst at Oppenheimer, who follows the cable industry. "I don't know if \$8 million is big enough bucks



TCI's John Malone was a key backer of the research consortium. As chairman of Cable Labs, he will have a major role in defining the facility's mandate.

Richard Leghorn was the cable pioneer who lobbied hard for Cable Labs. He says that getting Malone's backing was what made the idea a reality.



to do a whole lot of good or if there is enough trust among the cable operators to make it work. Let's put it this way: if [Cable Labs] was a public company I wouldn't invest in it."

Cable Labs' president has heard what the nay-sayers have to say about his consortium. Not surprisingly, Green doesn't buy in to their arguments. He points to the consortium's board, which includes virtually every major cable operator. The Cable Labs' budget does not represent an overwhelming sum, but it is sufficient, Green insists, to accomplish the cable operators' objectives. Moreover, all the consortium's backers have made a minimum of a three-year commitment to fund the operation.

"We don't have an overwhelming bureaucracy to deal with," Green explains. "If you look at our board, it is the decision-makers. We can get the people together who need to employ the technology. There's an opportunity for them to sit in a boardroom, hammer out a position on [a given technology] and come up with a cohesive strategy. Out of this comes strength." ●

Cable Closes in On the Classifieds

Tom Wheeler has convinced cable heavyweights that high-tech and hustle can eat into a major revenue stream for newspapers.

BY JACK LOFTUS

Five years after steering the landmark Cable Act of 1984 through Congress as president of the National Cable Television Association, Thomas E. Wheeler has made the transition from trade-group lobbyist to entrepreneurial businessman.

But not without a stumble along the way. Wheeler's initial foray into the moneymaking side of the industry came in 1984, as president of a programming service designed to deliver computer software into the home via cable. Named the Nabu Network (after the Babylonian god of wisdom), it seemed like the perfect marriage between two sexy and hot technologies, and it was further blessed by perfect timing. After all, *Time* magazine had replaced its Man of the Year with a Machine of the Year, the personal computer, the year before, and Wheeler was offering something to do with all that computing power out there.

But the PC didn't take off as quickly as envisioned, and when Wheeler's major investor, Canadian businessman Robert Campeau, got cold feet and withdrew, Nabu crashed and burned.

This time around, Wheeler is still betting on high tech, but his financing is solid and his logic is irresistible. His new company, NuCable Resources Corp., offers cable operators a means of cutting themselves in on the billions of dollars spent each year on classified newspaper advertising. Until now, that's been a revenue stream that television could only drool over while newspapers lapped it up.

"Our whole business started off as a straight rip-off of the newspaper classifieds," says the 42-year-old Wheeler. "Both the broadcaster and the cable operator are competing for a fixed revenue pot. So the cable guy has to look

for alternative sources of ad revenue, and going after print-ad revenue is a logical move."

Wheeler's run for the gold comes at a time when cable is going through a metamorphosis of its own, evolving into a mass medium capable of devouring ever bigger chunks of ad-sales dollars—\$1.8 billion in 1989, projects the Cabletelevision Advertising Bureau. Until recently, however, most of that money has been going to the national program services, leaving local systems to feed on the \$400 million or so in leftovers.

But with cable households approaching the 50 million mark, representing 54 percent of all U.S. TV homes, the business of cable advertising is changing. And with cable's ratings and marketing savvy on the rise, multiple-system operators are driving their systems hard toward the 21st century, using a mixture of technology and hustle to compete for local ad dollars.

That's where Wheeler comes in. His

NuCable Resources, with all sorts of high-tech bells and whistles and a consortium of leading MSOs behind it, is pitching local cable systems on a concept called "photoadvertising" as a method of going after the \$12 billion or so in local ad dollars pouring each year into newspaper classified-ad pages—billions just sitting there ready for the taking, or so the hype goes. With NuCable's computer technology, cable operators can offer affordable video to real estate, employment and retail advertisers who might otherwise seek out newspaper classifieds. "Here's a guy who can't afford broadcast television," says Wheeler, "and is putting his money in print. Now cable is offering him the power of video at print-ad prices."

Because of the variety of products NuCable is offering, Wheeler acknowledges that "most people have no idea what we do." The message is further complicated by the maze of complicated digital/video/computer tech talk. But it's a technology that:

- Lets a local cable system produce still-framed photo ads—with good resolution and sound—with minimal production costs to itself or the advertiser, and run them on a newly created, dedicated ad channel, the electronic equivalent of a newspaper's classified-ad pages. The ads run by category: real estate, jobs and retail, the same as a newspaper's classifieds. A cable system, for example, can use NuCable's computer hardware to run a still-frame picture of a house for sale, plus a voiceover pitch. The technology organizes the ads by category and allows

The Real Costs of Closing on a Home		
Based on a \$230,000 home		TOTAL \$31,890
10% Down:	Two Points:	Property Tax:
\$23,000	\$4,140	\$1,250
Insurance:	Escrow Fees:	
\$1,825	\$675	
Loan Fees:	Appraisal:	
\$650	\$250	
Credit Report:		
\$100		

Local cable operators can take a bite out of newspaper classifieds by using combinations of local and national still-frame snapshots on the ad channel.

the cable operator to originate a local, dedicated ad channel that NuCable calls The Cable Ad Channel System—CACCS for short.

- Gives systems access to satellite-fed, national still-framed “programming” (say a 90-second spot on home financing sponsored by Citibank) that can be used as inserts into The Cable Ad Channel System. Thus, a short photo ad on home financing fits into the system’s real estate segment. This satellite-fed service is called The Cable Ad Channel System Network—CACCSNet.

- Offers systems a full-motion videotape cross-promotional service that permits local operators to use unsold time on one basic channel to promote programming on another. It’s a satellite service billed as NuStar.

As fancy as the basic cable-ad technology is, says Wheeler, “it still requires local cable operators to do something: to get involved, to sell.” The more hustle, the more money.

A big chunk of that hustle is getting viewers trained to tune into the new ad channel, says Robert H. Alter, president of the Cabletelevision Advertising Bureau. “The operator has to make sure the subscriber knows about the availability of the service, and then when the real estate ads are running or when the car ads are on. And he does it by using program guides, cross-channel promotion and so on. Cable systems are just learning how to sell this service and how to administer it . . . We’re now in the process of getting systems to exchange information and ideas. As the knowledge spreads, the success will increase.”

Alter says the subjects of cable advertising, cross-channel promotion and the new technologies that drive these ideas will be high on the CAB’s agenda at its annual meeting April 9-11 in New York.

While Wheeler’s computer technology may be advanced, it isn’t alone in the field. In addition to a variety of videotext hardware and other systems that permit ad insertion into program services such as ESPN, photoadvertising technology similar to NuCable is being produced by Adams-Russell and Texscan Co. But Wheeler calls them “CACCS clones” and claims, “We still have 90 percent of the market.”

What appears to distinguish NuCable Resources from the others is



Ex-NCTA Chief Tom Wheeler has gone from hardware salesman to network supplier.

that its advanced digital technology got to the market first, and the fact that it has financial backing by MSOs. They are the majority owners and have been ever since Wheeler first pitched his scheme to them two years ago during an NCTA convention in Dallas.

Fourteen months later, NuCable Resources was up and running, with nine charter owners: American Cablesystems (now owned by Continental Cablevision); Time Inc.’s American Television and Communications; Continental Cablevision; Cox Cable Communications; Heritage Communications; Newhouse Broadcasting Corp.; Times Mirror Cable Television; Tribune Media Services; and United Cable. Centel Communications, Jones Intercable and Comcast Corp. joined later. And last year, NBC joined the group, purchasing convertible debentures with an option to buy another 25 percent.

The MSOs as a group own 54 percent of NuCable; Tribune owns 17 percent. The rest is owned by the company’s two founders, Wheeler and co-chairman Arthur Esch Jr.

At the end of its first full year of operation—in March 1988—NuCable’s advertising-insert equipment had been

bought by 123 cable systems with a reach of 6 million households. The company reported after-tax profits of \$376,163 on revenues of \$6,367,311. That represents a 6 percent return on sales and a 28 percent return on equity.

Until now, NuCable has made its mark pretty much as a hardware supplier, selling local cable systems the digital computer technology to make and store their own still-framed ads. The CACCS technology comes with other refinements, depending on just how advanced a local operator wants to look and how much he spends. (Wheeler says the average system pays a one-time charge of about \$55,000 for the CACCS system—though some pay a lot less for less sophisticated hardware.)

Key to NuCable’s success is its creation of an inexpensive computer process that transforms analog information into digital, which in turn offers cable systems great audio/visual flexibility, according to Wheeler, in the quick creation and insertion of ads into the ad channel.

When the CACCS technology first hit the market in 1986, just before NuCable was reorganized under the cable consortium, it offered little more than a low-resolution picture with tough-to-read print under it. But before the year was out, the technology had advanced enough to offer four times the resolution. That’s when Wheeler made the pitch to MSOs. By 1987, NuCable had added AM radio fidelity to the mix, and by 1988, the audio topped the 16 kilohertz range, almost as good as FM sound. Advanced microchips led to storyboarding software that could link multiple images with audio files. The bottom line, in non-tech terms, was slick-looking 30- and 60-second ads running on the local system’s own ad channel and boasting print-ad rates to local advertisers.

Newspapers, with gross advertising billings of just over \$29 billion in 1987, according to the Newspaper Advertising Bureau, have seen revenues from classified ads as a percentage of total ad revenues climb steadily over the past 20 years. Classifieds amounted to nearly 22 percent of revenues in 1960, nearly 27 percent in 1970, 29 percent in 1980, 33 percent in 1983 and will probably come in at 37 percent when the 1988 figures are in.

Newspapers, like broadcasters, are facing a slowdown in national ad spend-

ing and already are under attack from all sorts of shoppers' guides, penny-savers and so forth. But this latest assault from cable seems to have hit a nerve, and there have been reports that some newspapers have barred real estate sales brokers who use TV to list homes from running single ads that call attention to the electronic listings.

"It has happened, but it's not a very common situation," says Jim Dunaway, a spokesman for the Newspaper Ad Bureau. With total expenditures on classified ads nearing \$12 billion in 1987, "that's a very visible target" for cable to aim at, notes Dunaway. But the real challenge, he thinks, is when such cable devices become interactive: "That's a much bigger threat."

According to Wheeler, NuCable could do just that, but the price would be steep at this point, forcing the "print-ad prices" pitch right out the window.

Instead, his goal for 1989 is to hit the 200-system mark, which means a reach of nearly 10 million subscribers, "and that's when we'll be able to greatly expand our program services," he says. By "program services," Wheeler is talking about the next step in the evolution of NuCable.

With the cable-advertising hardware already sold to cable systems, Wheeler is out there pitching the satellite-fed CACS Network concept. CACSNet offers two services. One involves brief "programming" segments on the topics of real estate, employment and retail—the same subjects covered locally. Like the local CACS ads, the national feeds use photoadvertising. In the real estate segment of the satellite feed, for instance, there are 30-, 60- and 90-second segments on topics such as what people are looking for in new houses. They use several still photos in combination with a voiceover. That particular spot was sponsored by Whirlpool. Citicorp sponsored another on frequent problem areas that arise when closing on a new home. And these national sponsorships—actually CACSNet is a barter network—provide NuCable with another revenue stream. The local cable operator, however, gets no income from these national ads.

Cable systems using this technology can run the satellite feed as it's scheduled or slip it into their computer to mix and match with their own local photo ads on the CACS channel.

CACSNet also supplies a program-listings service on the cable ad channel. This is an alpha-numeric display—with still pictures—fed to systems three minutes before the hour and half hour, giving the viewer the system's program schedule for that day. It's called The Cable Guide Video, and the technology permits the service to be system-specific—that is, keyed to what's on which channel when, for each subscribing system. The Cable Guide Video is a joint venture between NuCable and Mark Edminston, who publishes *Cable Guide*.

Cable Guide Video makes money by selling 30-second national ads inside the three minutes. HBO, for example, might pay for a spot promoting a film airing that night, or General Motors

.....

**'The cable guy
has to look for
alternative sources
of ad revenue, and
going after print
ad revenue is
a logical move.'**

.....

could buy a straight, still-framed commercial spot.

All CACS hardware manufactured after October 1988 is CACSNet ready, says Wheeler. Systems that don't want the CACS system but do want the Cable Guide Video pay \$12,000 for the hardware.

While both the CACS and CACSNet services are built around photoadvertising, no matter how sharp the images and melodious the sound, it's still unanimated. Wheeler's third business involves full-motion video: a cross-channel promotional-insert service.

Dubbed NuStar, it's a satellite-fed service that can access local avails on a cable system's basic program channel—ESPN, The Discovery Channel, The Nashville Network, CNN and so forth—with a "full broadcast-quality" spot promoting a program on another channel. The NuStar system, which is a joint venture between NuCable and Lenfest Communications (itself 48 percent owned by TCI) obtains the promos

from the program services and can cross-promote on up to 16 basic-cable programming services. The technology comes with enough bells and whistles for it to be system specific, promoting the right program on the right channel at the right time, and even tag it with the appropriate local channel number.

Unlike CACSNet, however, NuStar charges systems 2 cents per subscriber per month. The hardware cost for systems already using CACS technology is between \$4,500 and \$9,000, depending on the level of sophistication. NuStar also makes money by charging the cable programmer for the promotion time.

Like his ad channel service, however, Wheeler is not alone in the cross-promotional market. TCI, Landmark Communications (owner of The Weather Channel) and Cable Video Entertainment have joined forces in a cross-promotional system called Prime Time Tonight, slated to begin this spring.

The PTT program-update service will run on The Weather Channel at three minutes before the hour and half hour, the time when most networks are in commercial breaks.

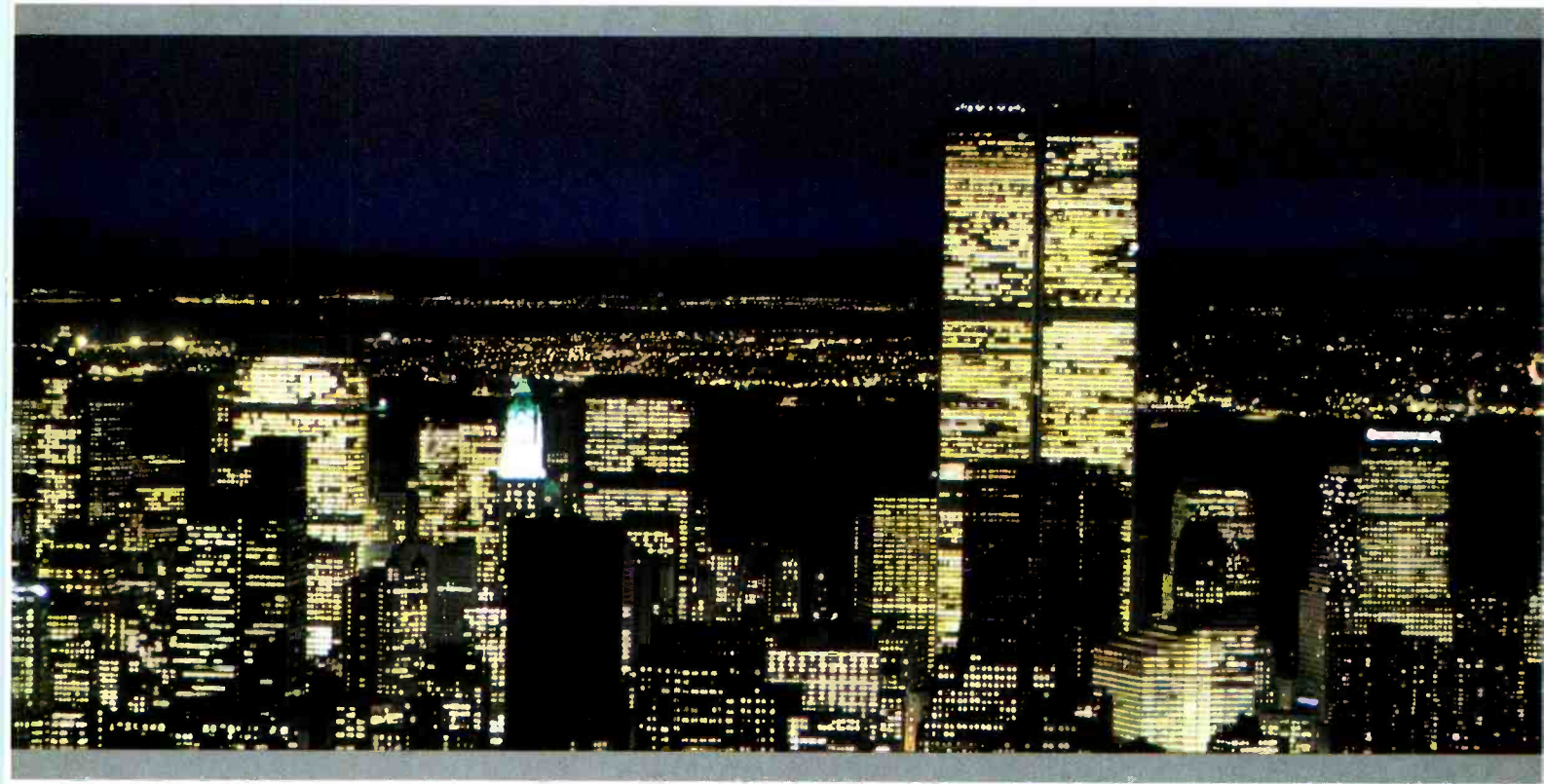
According to Rick Ericksen, a vice president at TCI, PTT will highlight the program listings, breaking them into categories such as family viewing, briefly summarizing the storylines and showing actual excerpts from the programs. Like NuStar, PTT is system specific and capable of high-tech wizardry. PTT will charge systems 1.3 cents per subscribing home.

Wheeler insists, though, that NuStar and PTT are not competitors. "They are totally complimentary, and cable systems should have both," he says. "PTT is a guide to what's on tonight, and that's different from using avails inside network programming to cross promote."

Wheeler's new satellite services have only just begun to be marketed, and how operators respond remains to be seen. "We haven't hit the home run yet," he says, "and I'd feel a lot better talking about this in a year or two."

Whatever the outcome, the ideas are catching, and the cable industry appears poised to take technology to yet another level and make a run after two sacred cows: the newspaper lock on classified ads and broadcasting's singular ability to pat itself on the back. Wheeler, it appears, is in business. ●

Waller Capital Corporation has quietly become the leader in cable television brokerage.



While others ring bells and blow whistles, Waller Capital is hard at work creating successful strategies to obtain the highest possible price for the seller. The numbers speak for themselves. In 1988 our expert team has generated cable transactions worth more than 1.6 billion dollars.

When a company is the best at what they do, there is no need to shout it from the roof tops—the right people will know. Because we are the industry specialists, we can serve our clients better than anyone else in the cable television brokerage industry. Specialization enables us to know our business thoroughly, without yielding to the distractions inherent in trying to be expert in remotely related fields.

Even the best can get better. That is why—at this very moment—the Waller team is quietly contemplating new ways to improve their lead in 1989.

1988 1.6 BILLION DOLLARS

This notice appears as a matter of record only.
January, 1988

FALCON TELECABLE
has acquired

CARTHAGE COMMUNICATIONS, LTD.
serving approximately 7,400 basic subscriber and passing approximately 12,800 homes in Rockport, Comanche, and Carthage, Texas.

The undersigned represented Carthage Communications, Ltd. in this transaction, served as financial advisor and assisted in negotiations.

WALLER CAPITAL
CORPORATION

January, 1988

MultiVision Cable T.V. Corp.
has acquired

C4 Media Cable
serving approximately 70,000 basic subscribers in North Carolina, Kentucky, Illinois, Missouri, Kansas, Tennessee, Oklahoma and Louisiana.

The undersigned initiated this transaction, served as financial advisor to C4 Media Cable and assisted in negotiations.

WALLER CAPITAL
CORPORATION

January, 1988

TCI Cablevision of Georgia, Inc.
has acquired

Peachtree Cable TV Associates, L.P.
passing approximately 3,100 homes and serving approximately 21,500 basic subscribers in the communities of Colbern, Comer, Danielsville, Hull and Uln, Georgia and the surrounding areas in Clarke and Madison counties.

The undersigned initiated this transaction, served as financial advisor to Peachtree Cable TV Associates, L.P. and assisted in the negotiations.

WALLER CAPITAL
CORPORATION

February, 1988

SERVICE ELECTRIC CABLE T.V., INC.
has acquired

EASTERN PENNSYLVANIA RELAY STATIONS, INC.
serving approximately 9,750 basic subscribers in and around Shamokin, Pennsylvania.

The undersigned initiated this transaction, served as financial advisor to Eastern Pennsylvania Relay Stations, Inc. and assisted in the negotiations.

WALLER CAPITAL
CORPORATION

March, 1988

U.S. CABLE TELEVISION GROUP, L.P.
has acquired

ESSEX COMMUNICATIONS CORP.
and the assets of

ESSEX 1984-1 Operating Partnership
ESSEX 1985-2 Limited Partnership
ESSEX 1986-1 Limited Partnership

The Essex Companies served approximately 151,000 basic subscribers and passed 230,000 homes in change.

The undersigned initiated this transaction, served as financial advisor to U.S. Cable Television and assisted in the negotiations.

WALLER CAPITAL
CORPORATION

March, 1988

MONMOUTH CABLEVISION ASSOCIATES
an affiliate of

SUTTON CAPITAL ASSOCIATES, INC.
has acquired the cable television system from

HARTE-HANKS CABLE, INC.
serving approximately 10,000 basic subscribers and passing approximately 16,000 homes in Asbury Park and Ocean Township, New Jersey.

The undersigned initiated this transaction, served as a financial advisor to Sutton Capital Associates, Inc. and assisted in the negotiations.

WALLER CAPITAL
CORPORATION

April, 1988

SUSQUEHANNA CABLE CO.
has acquired

RANKIN COUNTY CABLEVISION
and

SOUTHWEST CABLEVISION
from

HELICON GROUP, LTD.
serving approximately 12,000 basic subscribers and passing over 19,000 homes in Brandon, Pearl, Flowood, Palmetto and the Pearl River Water Supply District in Rankin County, Mississippi and Centerville, Gloster, Liberty and Wadleville in southwest Mississippi.

The undersigned initiated this transaction, served as financial advisor to Rankin County Cablevision and Southwest Cablevision and assisted in the negotiations.

WALLER CAPITAL
CORPORATION

June 1988

C4 MEDIA CABLE, INC.
has acquired

CHATSWORTH CABLE COMPANY
serving approximately 3,500 basic subscribers and passing approximately 4,700 homes in Chatsworth, Georgia and portions of surrounding Murray County.

The undersigned initiated this transaction, served as financial advisor to C4 Media Cable, Inc. and assisted in the negotiations.

WALLER CAPITAL
CORPORATION

June 1988

STAR CABLEVISION GROUP
has acquired

BUTLER/COONEY CABLE TELEVISION, L.P.
serving approximately 2,000 basic subscribers and passing 3,185 homes in Stanley, Lafayette, Colfax and Bruce, Wisconsin.

The undersigned represented Butler/Cooney Cable Television, L.P. in this transaction, served as financial advisor and assisted in negotiations.

WALLER CAPITAL
CORPORATION

July 1988

RIVER COMMUNICATIONS, INC.
has obtained financing in the amount of

\$20,000,000
funds provided by

MANUFACTURERS HANOVER TRUST COMPANY

The undersigned initiated this transaction and served as financial advisor to River Communications, Inc.

WALLER CAPITAL
CORPORATION

July 1988

JAMES CABLE PARTNERS, L.P.
has acquired the assets of certain limited partnerships affiliated with

PARADIGM COMMUNICATIONS, INC.
serving 13,822 basic subscribers in Alabama, Kentucky and Tennessee.

The undersigned initiated this transaction, served as financial advisor to Paradigm Communications, Inc. and assisted in the negotiations.

WALLER CAPITAL
CORPORATION

September, 1988

MULTIVISION CABLE TV CORP.
has acquired

UNIVERSAL CABLE HOLDINGS, INC.
serving approximately 22,000 basic subscribers in Kansas, Nebraska, Texas, Oklahoma and Colorado.

The undersigned initiated this transaction, served as financial advisor to Universal Cable Holdings, Inc. and assisted in the negotiations.

WALLER CAPITAL
CORPORATION

September 1988

An affiliate of

TELE-COMMUNICATIONS, INC.
has acquired a 40% ownership interest in the cable television system serving Gary, Indiana from

GARY COMMUNICATIONS GROUP, INC.

The undersigned initiated this transaction, served as financial advisor to Gary Communications Group, Inc. and assisted in the negotiations.

WALLER CAPITAL
CORPORATION

September 1988

VISTA COMMUNICATIONS, INC.
has acquired

CHANNEL Z CABLEVISION, INC.
serving the community of Monticello, Mississippi.

The undersigned initiated this transaction, served as financial advisor to Channel Z Cablevision, Inc. and assisted in the negotiations.

WALLER CAPITAL
CORPORATION

WALLER CAPITAL
CORPORATION

30 Rockefeller Plaza
Suite 4350
New York, NY 10112

(212) 632-3600

IN CABLE TRANSACTIONS

September, 1988

CENTURY COMMUNICATIONS CORPORATION

has acquired the assets of

COMMUNITY TV SYSTEM, INC.

passing 10,000 homes and serving 8,250 basic subscribers in Greenwood, Mississippi and environs.

The undersigned initiated this transaction, served as financial advisor to Community TV System, Inc. and assisted in the negotiations.

WALLER CAPITAL CORPORATION

October 1988

CENTURY COMMUNICATIONS CORP.

has acquired

MOUNTAINEER CABLEVISION, L.P.

serving approximately 2,275 subscribers in and around Arnettsville, West Virginia.

The undersigned initiated this transaction represented Century Communications Corp. and assisted in the negotiations.

WALLER CAPITAL CORPORATION

October 1988

PINE TREE CABLEVISION ASSOCIATES

has obtained financing in the amount of

\$3,250,000

funds provided by

RHODE ISLAND HOSPITAL TRUST COMPANY

The undersigned initiated this transaction and served as financial advisor to Pine Tree Cablevision Associates.

WALLER CAPITAL CORPORATION

November, 1988

ML MEDIA OPPORTUNITY PARTNERS, L.P.

has acquired

PRIME CABLE OF MARYLAND, INC.

passing approximately 128,000 homes and serving over 72,000 basic subscribers in northern Prince Georges County, Maryland and Leesburg, Virginia.

The undersigned initiated this transaction, served as financial advisor to Prime Cable of Maryland, Inc. and assisted in the negotiations.

WALLER CAPITAL CORPORATION

December, 1988

SUMMIT COMMUNICATIONS GROUP, INC.

has acquired a cable television system passing 3,300 homes and serving 2,100 basic subscribers in Barrow County, Georgia from

OCB CABLEVISION, INC.

The undersigned initiated this transaction, served as financial advisor to OCB Cablevision, Inc. and assisted in the negotiations.

WALLER CAPITAL CORPORATION

December, 1988

KING VIDEOCABLE COMPANY

has acquired

COAXIAL ASSOCIATES OF ST. CROIX LIMITED PARTNERSHIP

which at closing passed approximately 35,000 homes and served approximately 17,600 basic subscribers in various communities located in Minnesota and Wisconsin.

The undersigned initiated this transaction, served as financial advisor to Coaxial Associates of St. Croix and assisted in the negotiations.

WALLER CAPITAL CORPORATION

December, 1988

COONEY CABLE ASSOCIATES OF OHIO, L.P.

has acquired

EL-MAR COMMUNICATIONS COMPANY

and

TIOGA CABLE COMPANY, INC.

which at closing served approximately 6,650 basic subscribers located in various New York and Pennsylvania communities.

The undersigned initiated this transaction, served as financial advisor to El-Mar Communications and Tioga Cable and assisted in the negotiations.

WALLER CAPITAL CORPORATION

December, 1988

VISTA/NARRAGANSETT CABLE, L.P.

has acquired certain assets of

COONEY CABLE ASSOCIATES, INC.

serving approximately 1,275 basic subscribers and passing approximately 1,750 homes in Maine.

The undersigned initiated this transaction, served as financial advisor to Cooney Cable Associates, Inc. and assisted in the negotiations.

WALLER CAPITAL CORPORATION

December, 1988

ROXBORO CABLEVISION ASSOCIATES, L.P.

an affiliate of

HELICON GROUP, LTD.

has acquired

ROXBORO CABLEVISION, INC.

serving approximately 3,400 basic subscribers in Roxboro, North Carolina and surrounding portions of Person County.

The undersigned initiated this transaction, served as financial advisor to Roxboro Cablevision, Inc. and assisted in the negotiations.

WALLER CAPITAL CORPORATION

January, 1989

CENTURY COMMUNICATIONS CORPORATION

has acquired

MICKELSON MEDIA, INC.

passing approximately 36,000 homes and serving approximately 27,000 basic subscribers in various communities in New Mexico, Florida and Idaho.

The undersigned initiated this transaction, served as financial advisor to Mickelson Media, Inc. and assisted in the negotiations.

WALLER CAPITAL CORPORATION

CABLEVISION SYSTEMS CORPORATION

has agreed to acquire certain cable television systems owned by

VIACOM, INC.

passing approximately 178,000 homes and serving approximately 128,500 basic subscribers in Suffolk County, New York.

The undersigned served as financial advisor to Viacom, Inc. and assisted in the negotiations.

WALLER CAPITAL CORPORATION

PENDING

ADELPHIA COMMUNICATIONS CORPORATION

has agreed to acquire the cable television assets owned by

MID ATLANTIC NETWORK, INC. AND BERRYVILLE TV CABLE COMPANY

passing approximately 30,000 homes and serving approximately 24,000 basic subscribers in the communities of Winchester, Stephens City, Middletown, Berryville, Front Royal, Lexington and Buena Vista, Virginia.

The undersigned initiated this transaction, served as financial advisor to Mid Atlantic Network, Inc. and Berryville TV Cable Company and assisted in the negotiations.

WALLER CAPITAL CORPORATION

PENDING

FRAMINGHAM CABLEVISION ASSOCIATES LIMITED PARTNERSHIP

an affiliate of

SUTTON CAPITAL ASSOCIATES, INC.

has agreed to acquire

FRAMINGHAM CABLE TELEVISION LIMITED PARTNERSHIP

serving approximately 13,000 basic subscribers in the community of Framingham, Massachusetts.

The undersigned initiated this transaction, served as financial advisor to the Seller and assisted in the negotiations.

WALLER CAPITAL CORPORATION

PENDING

Has quietly become the leader in cable television brokerage.

John W. Waller, III
President

Richard H. Patterson
Vice President

John T. Woodruff
Vice President

Andrew J. Armstrong, Jr.
Senior Vice President

Thomas M. Grimes
Vice President

William G. Foulkes
Associate

MSO Problems And Prospects

Snapshot profiles of the country's top 20 cable operators: Strategies for solidifying their franchises and ensuring steady growth into the 1990s.

At a time when both the importance of cable operators and the attention devoted to them by financiers, regulators, producers and station operators is ballooning, the fact remains that past the list of giant MSOs, most are little known in the television industry. In fact, system operations are run by a diverse lot, some of whom are individualistic old-timers while others are a new breed of wheeler-dealers. What they share is a set of problems—how to hike stagnant penetration levels and improve service, how to deal with the boom in fiber optics and the eagerness of telephone companies (telcos) to move into their field and how to find the right mix of entertainment, information and advertising to continue to catapult cable into the forefront of the TV revolution. Yet the operators have differing responses and priorities.

These snapshots put the spotlight on industry leaders' plans for 1989 and beyond with an emphasis on where they see their companies—and their industry—going in the '90s.



Tele-Communications Inc.

Rumors circulated throughout 1988 that TCI was going to break up one way or another, perhaps via a leveraged buy-out. TCI president and CEO John Malone vowed that no such change would happen. But if the United Artists-United Cable deal (TCI will own more than 50 percent of the new company) moves forward, it then seems likely that TCI, which has of late stepped up efforts to improve its

governmental- and industry-relations operations, will continue to come under fire from Capitol Hill. TCI's operating emphasis this year is on deeper penetration, not higher sub counts. Robert Thomson, TCI's government relations v.p., sees "increased efforts for more penetration in our existing systems," rather than further debt accumulation through acquisitions. "Given market conditions and consolidation last year," Thomson continues, "there will be a lot less acquisition activity around here." Not a company to pass up opportunity, TCI participated in the consortium buying Cooke CableVision. But Malone is also looking to invest in programming, hoping to boost his basic and pay sub counts.

As for re-regulation, Thomson and TCI say they aren't sweating, although many of TCI's foes feel they should, and Thomson thinks horizontal growth issues have been taken off the table. "You can't say TCI is too big and say in the same breath that telcos should enter cable, when the smallest of them is five times our size."



ATC

American Television and Communications (ATC), the nation's second-largest MSO, which relocated from Denver to Stamford, Conn., last year, will move ahead in '89 toward its announced goal of achieving 70 percent penetration by 1993. Now in 59 percent of its homes passed, the company already has one of the highest internal subscriber-growth rates in the industry. But that admirable record has not had sufficient impact on the company's lagging cash-flow margins. Although margins have improved substantially

of late, it is still "six or seven points behind TCI and United Artists," says Merrill Lynch analyst Edward Hatch, "and people tend to look at ATC as less efficient." In addition to improving that margin, the company will further its leadership role in fiber optics, installing backbones in selected rebuilds. Improving customer service remains a top ATC priority, in part due to the bottom-line implications of customer retention. But ATC is also wary of Washington political battles ahead. "To the extent customers are satisfied," says a spokesman, "we'll do much better in those areas than we otherwise would."

United Artists

United Artists Entertainment

United Artists Entertainment, the newly formed cable, production and theater unit, demonstrates TCI's enormous influence in the cable industry. The stocks of both eighth-ranked United Artists and ninth-ranked United Cable are controlled by TCI president John Malone, who sits on both boards. The two may join to form United Artists Entertainment. This nepotistic grouping accounts for about 2.6 million subs, ranking the new United third. But Stewart Blair, vice chairman and CEO of UAE, wouldn't let you believe for a minute that Malone or anyone at TCI has any say in the company's matters beyond the boardroom. A possible merger has the two MSOs guessing about 1989's direction. "We'll continue to make acquisitions here and there," ventures John Neal, UA's v.p. of communications. "But I think they'll be more on the level of partnerships and joint ventures." Neal claims that capital is not a problem, thanks to limited partnerships. He also cites discussions with telco Pacific Telesis on a partnership, while noting that United Cable was also on the acquisition trail in England in 1988. But the first order of business is to engineer the merger. United Cable's corporate staff has already moved into UA's offices, and budget meetings between both companies are well underway. As Neal says, "If you know you're going to merge but you're just not sure when, why not start merging what you can, rather than waiting for the last minute?"



Continental Cablevision

In late 1987, this privately held MSO grew by over 30 percent, to 2.3 million subscribers, when it purchased American CableSystems. The primary challenge of 1988, according to Continental's president, Tim P. Neher, was finding challenging and satisfying jobs for the American staff in the new company. "We feel we succeeded," he says. Now, in addition to the usual objectives of improving operating performance, raising basic penetration, revenues and operating income, 1989 has brought a new focus: rationalizing programming costs.

With too many programming services vying for too few channels and programming costs ballooning into Continental's single largest expense (20 percent of expenses three years ago; 33 percent today), the highly decentralized MSO has decided to review programming decision-making company-wide. Neher predicts there may be some "very tough decisions on some of the services that have been guaranteed distribution," including perhaps dropping some of them. "And it extends from top to bottom: from pay-per-view to pay services down to which of the home-shopping channels you ought to continue carrying." Neher says Continental will also consider whether sports programming belongs on pay or basic and expects to spend a disproportionate amount of 1989 time on programming questions, but not to the exclusion of acquisition and penetration growth strategies.

STORER CABLE

Storer Communications Inc.

Storer entered 1989 with systems in 12 states covering more than 1.5 million homes, but no longer in control of its own destiny. After a group headed by Comcast and TCI purchased Storer in 1988 for \$1.5 billion, the two major MSOs signed a consultancy pact with Storer that pretty much took management responsibilities away from Storer and put them in the hands of the new owners. Yet the investment group had enough confidence in Storer's management to promote SCI controller Michael S. Tallent into the pres-

ident's slot, leaving him somewhat between a rock and a hard place.

While Storer will continue aggressive marketing, don't look for the company to jump aboard the pay-per-view bandwagon or to throw money into fiber optics. Storer's view on PPV is that as an addressable, impulse system, it isn't quite there yet. And the same thoughts go for fiber, at least for anything beyond the basic trunks. Storer is content to follow the industry, not lead it; and besides, the new owners may be a bit strapped for cash now. Tallent says the company has no 1989 plans to spin off or acquire major properties. With the average Storer system near 60 percent penetration, Tallent says 1989 will see Storer place special emphasis on growing its New Jersey and Florida systems. Storer has strong ad-sales departments, and added support comes from a national sales group the company formed in 1987. "Ad sales is a peripheral source of income, but it's rapidly growing," says Tallent.



Warner Cable Communications

With a new entrepreneurial spirit, \$4 billion Warner Communications Inc. has rebounded from past mistakes and some retrenchment and is a Wall Street darling. Warner Cable Communications also fits that mold, and though headquartered in Columbus, Ohio—far from the New York WCI base—WCC's president, James L. Gray, is steering the MSO along a solid path, focusing on improving financial performance. Gray says growth at WCC's 105 systems (about 1.5 million subs) will come "through penetration advancement. That's the big home run in this industry."

The Houston system, for example, with 192,000 subs, passes 515,000 homes; Cincinnati, with 160,000 subs, passes 335,000 subs; and in its most ambitious new build, the Brooklyn-Queens franchise in New York, the system has signed up 100,000 subs but already passes 250,000 homes. Warner expects that system to be one of cable's most advanced. Warner only partially owned its Milwaukee system, with 85,000 subs, but it recently bought a majority interest.

To boost penetration and to make 1989 projections of 18 percent revenue growth, Gray says he's embarking on

"one of the busiest marketing years" and hopes to grow through aggressive promotion. Perhaps the leading pay-per-view MSO, Warner's systems average 10 percent penetration, double industry averages, and Gray expects PPV revenues to grow 50 percent in 1989. Another big growth area will be in advertising sales, says Gray, where he predicts a nearly 50 percent revenue increase.



Cox Cable Communications

Last year was a calm one for Atlanta's Cox Cable Communications. A veteran of more than 20 years in the business, Cox played it cool and stayed out of the superheated systems market, either as buyer or seller. Cox thus ended '88 with the same 23 cable systems, spread across 16 states, that it owned at the end of '87. Subscriber growth moved slower for Cox in 1988 than it did in '87, when the company posted a 6.2 percent gain in basic customers, to 1.43 million. That number, by the end of 1988's third quarter, had grown to 1.47 million, an increase of 1.8 percent. A service emphasis, says president James Robbins, should speed things up in '89. "We have to get better," he says. "Our company should be able to pick up 2 percent in penetration a year as long as customer service is up to par and we're moderate with rates. We're talking about a value proposition, and it starts with customer service." Pay per view is a part of that strategy, too, with Cox holding a stake in PPV's Home Premiere Network. Cox also bought into Movietime, a complement to its stake in The Discovery Channel.



Comcast

Comcast began 1988 managing 1.3 million subscribers and ended the year managing 2.2 million, as it increased its basic subs to over 1.4 million. "This year we will continue to expand if we think there is a prudent opportunity," says Ralph Roberts, Comcast chairman and president, "but our main focus is trying to improve our percentage of saturation." Robert Clasen, Comcast Communications' president, says that the first step to-

ward improving penetration is upping channel capacity to 40 or 50 channels. For the first time since 1986, Comcast is adding new basic services such as TNT and CNBC to many systems. But the company is still unsure of pay services and was disappointed with pay TV last year. Says Clasen, "We beat our pay budget, but only by retail rate discounting." He was also disappointed by pay per view's performance in 1988 but is counting on '89 gains. "We did well on the revenue side, but we had problems with headends and didn't get into the systems and homes we wanted. We'll quadruple impulse pay-per-views by this time next year."

Clasen sees direct response as a major marketing tool in '89. In a Flint, Mich., test, Comcast bought 800 rating points of broadcast time announcing that if viewers called before 7 P.M., they'd get cable that evening. Crews worked until 10 P.M. adding thousands of subs. Says Clasen, "The old days of scheduling installations in two or three weeks is not conducive to selling the next 10 percent penetration."

Newhouse Broadcasting

Newhouse Broadcasting

The less people know about you the better off you are," says Robert Miron, president of Newhouse Broadcasting, who adds without a trace of humor the company's plans for 1989 are "our own business." To outsiders, Newhouse—a privately held company that's long since bailed out of broadcast TV—remains an enigma wrapped tightly within a much larger publishing empire. When Miron says "I'm not going to give you any information," he's speaking as a survivor. Yet Newhouse may be jolted in May when Miron becomes NCTA chairman, a visible position and one that has given Miron pause. "He's uncomfortable at the prospect," says an associate.

With a total of more than 1.1 million subs, Newhouse owns about 122 small systems in 16 states under three units: NewChannels (344,000), MetroVision (395,000) and VisionCable (403,000).

Growth for each unit was about 20,000 in 1988, the company says. But look for Newhouse to keep snapping up smaller systems and to pour cash into marketing existing ones. That should include a more aggressive stance on addressable technology that permits pay per view as well as local ad sales. Miron may be mum, but he's not closed-minded. He's shown a willingness to invest in programmers, such as Turner Broadcasting and The Discovery Channel. Newhouse will continue to work quietly behind the scenes in 1989 to lend a financial hand to a variety of program services, while Miron wrestles with the dilemma of fitting an enigma into a glass house.

ViacomCablevision

Viacom Cable

Viacom Cable is busy fine-tuning its sales approach. Not that the last couple of years have been bad—they've been quite good. The 16-system-strong

TOP 20 MSOs AT A GLANCE

COMPANY	HEADQUARTERS	SUBSCRIBERS (December 1988)	REVENUES® (in millions)
1 Tele-Communications Inc.	Denver, Colo.	5,977,000	\$2,133.5
2 ATC	Stamford, Conn.	3,212,000	785.7
3 United Artists Ent.	Denver, Colo.	2,528,000*	1,114.4*
4 Continental Cablevision	Boston, Mass.	2,302,000	711.0*
5 Storer Comm.	Miami, Fla.	1,516,600	562.8*
6 Warner Cable	Dublin, Ohio	1,489,000	4,035.2
7 Cox Cable	Atlanta, Ga.	1,465,200	494.1*
8 Comcast	Bala Cynwyd, Penn.	1,410,000	411.7
9 Newhouse	Syracuse, N.Y.	1,123,600	330.7*
10 Viacom	New York, N.Y.	1,114,500	1,170.0
11 Cablevision Systems	Woodbury, N.Y.	1,099,400	453.1
12 Jones Intercable	Denver, Colo.	1,088,800	63.4
13 Heritage Comm.	Des Moines, Iowa	1,078,100	240.3
14 Times Mirror	Irvine, Calif.	976,400	3,293.1
15 Sammons Cable	Dallas, Texas	853,800	248.1*
16 Century Comm.	New Canaan, Conn.	774,400	175.1
17 Cooke Cablevision	Woodland Hills, Calif.	692,800	206.5*
18 Adelphia Comm.	Coudersport, Penn.	682,000	151.7
19 Pragon	Denver, Colo.	678,000	NA
20 Falcon Cable	Los Angeles, Calif.	630,000	23.3

®Revenue figures reflect one year's revenues from—or as close to, depending on the company's fiscal year—October 1987 to October 1988.

*United Artists Entertainment represents the combined revenues and subscribers of United Artists and United Cable.

©Revenue estimates using Paul Kogan's Cable TV Financial Databook revenue-per-subscriber multiplied by the number of subscribers multiplied by 12 months (rev / sub x subs x 12 months).

Source: TV Digest Research; Agnete Lundvik.

MSO has added 90,000 subscribers a year in each of the last two years, pushing its penetration beyond 62 percent. Now the formula for continued growth is target marketing. "We've become more sophisticated in selling our service," says Viacom Cable executive v.p. Ed Bennett. "We're redirecting our marketing dollars beyond just pushing movies and major sporting events." The key to continued growth, he explains, is to match the services offered, whether it's The Disney Channel or ESPN, with attractive constituents. "We've got to target services that mean most to demographic groupings," he says. "And then the challenge is to tailor a pitch to each group's needs."

While expecting growth from its core revenue stream, Viacom also expects to see exponential growth in advertising revenue this year. Says Bennett, "It's the big sleeper in our financial equation." Though optimistic about Viacom's near-term prospects, he is no Pollyanna. He knows telcos and Washington powers have the potential to wreak havoc with his business. "When everything is going great," he concludes, "is the time when you have to be most vigilant."

CABLEVISIONSM

Cablevision Systems

In a speech at a GE Capital dinner last October, Cablevision Systems CEO Charles Dolan explained that "network broadcast is no longer competitive but has become an important program feature of cable." Cablevision made a bold move building ties in that direction late in '88 by bringing in GE's NBC as a half partner in Cablevision's programming company, Rainbow. The deal also calls for turning SportsChannel America into a nationally delivered service and cuts Cablevision in on NBC's 1992 Olympic package, currently via three pay-per-view outlets. On top of that, last fall Cablevision acquired Viacom's Long Island and suburban Cleveland cable systems, which serve over 200,000 subs. "All this should add up to Cablevision integrating its new Viacom systems this year and paying off debt," says Harvey Sandler of Sandler Associates. The acquisitions should come at a less rapid pace as Cablevision concentrates more on programming. "They've got their work cut out for them," adds Sandler.



Jones Intercable

Jones Intercable, a company known for taking individualist stands, ranked 12th among MSOs in 1988, with 1.1 million subs, and Jones' 66.3 percent basic penetration won them first place among cable's top 15, according to Paul Kagan Associates. The company, which Drexel Burnham Lambert v.p. Andrew Wallach calls "undervalued in relationship to major MSOs," has developed a reputation for forward thinking and risk-taking. Last year, Jones plunged into action on cable's hottest fronts, including joint venturing with telcos and entry into overseas markets. Jones and Pacific Telesis have won two London franchises and applied for a third. "We're doing both cable and telephony," says CEO Glenn Jones, in part anticipating new U.S. rules. "We need to learn how to do both with partners who know how," he says. And Jones is pioneering new fiber uses and is reviewing program pacts.

But Glenn Jones says his overriding concern this year is "defining" his systems, firmly establishing control of access to subs. Jones charged into the issue announcing last year that USA Network would be pulled from 67 percent of Jones subs, contending that USA's rerun programming won't drive growth. USA promptly sued Jones, but Jones has no regrets. "If we need to spend a couple of million dollars to protect a couple of billion dollars of assets—to grow them and see them optimized—then we are willing to spend it," he says.



Heritage Communications

Again, ever-present TCI has its hand in the pot of another top-20 operator, this time with 80 percent ownership of Heritage. That figure was 100 percent until the latter half of 1988, when TCI sold Comcast a chunk of the 14th-ranked MSO. However, Heritage president James Cownie is perfectly content with his parent. "Ours is a terrifically amicable relationship, really," he says without pause. The focus this year is inward. "We want to concentrate on internal growth," Cownie adds. "The emphasis is on service and

marketing, all of which attacks churn—we really want to bring that number down."

Cownie expects to allocate about 4 percent of the company's revenues to marketing, a figure likely to be close to \$10 million, based on Goldman Sachs' estimate of Heritage's 1988 revenues. Will Cownie try to lessen Heritage's debt? "As we move down the path we'll work on the debt, since our cash flow does exceed our capital expenditures and we are highly leveraged right now."



Times Mirror Cable

With restructuring essentially over, Times Mirror Cable officials say they're focusing on building the value of existing operations, currently more than 40 systems with nearly one million subs operating in 14 states as Dimension Cable Services. Faced with higher than expected construction costs and disappointing earnings, Times Mirror began a sell-off in 1985 of mainly urban systems. The results were falling revenues, down 14 percent between 1985 and 1987, and declining profits, down 39 percent.

But last year the company finally decided to hold on to its troublesome, 200,000-sub Phoenix systems, following a well publicized but aborted swap for United Artists and TCI properties. Add to that high acquisition prices and Times Mirror officials say this year they're paying more attention to increasing penetration and building customer satisfaction. Officials say this focus is not because of an inability to expand. They point, for instance, to earnings gains in operations in 1988's first nine months and insist that they haven't foresworn acquisitions. "But," says Larry Higby, until recently senior v.p. of marketing, "we're not out beating the bushes."



Sammons Communications

By early December of 1988, Dallas-based Sammons Communications had added 22,338 subscribers for a total of 851,562 subs, a 2.6 percent increase from a year earlier. That's not quite enough for Sammons, which plans to focus on marketing in 1989. In particular,

the company aims to "decrease churn" among subs, according to senior v.p. Mark Weber. "We want to reduce the giveaways and get more stable customers," Weber says. One way to hook new households is "more concentration on pay per view," he says. The company has addressable converters in several of its 60 systems and will concentrate PPV efforts there, Weber says.

As 1989 began, Sammons owned the same 60 systems it had at the beginning of '88. It has stayed out of the market except to pick up one Indiana headend that was then combined with another. The deal added only "a few hundred" subs, according to a company official. Sammons so far hasn't bought into programming ventures.



Century Communications

The operating words at 16th-ranked Century Communications are status quo. Strategies will not change this year—in fact, they've never changed since the company went public three years ago. Aggressive growth in cable and cellular, and traditional marketing campaigns, dominate the game plan. Last year was busy for Century as it added close to 82,000 subs through six deals, which grew Century's sub base to more than 775,000. In September, Century secured \$600 million in long-term credit, partially to finance the done deals and partially to fund more aggressive acquisitions. And recently, says the MSO's William Kraus, Century settled a \$200 million bond issue, permitting system buys.

Century's cellular plans are as much a concern. Currently at 1.5 million pops, the goal is to reach 5 million. "We don't want interests to conflict," says Kraus, "but if we had cash limits and had to choose where to spend, for the short-term, our priority would be cellular." Internally, little has changed with "conservative" marketing campaigns in place. That's because the MSO feels flashy campaigns only promote churn.



Cooke CableVision

Just because Jack Kent Cooke's cable operations went on the block last summer and a top MSO consortium is divvying them up, that doesn't mean

the company sat still. Cooke Cable-Vision continued to court subscribers, adding 75,000 between mid-1987 and year-end 1988 through marketing and sales alone, bringing the base to more than 700,000 subs. Says general manager Terry St. Marie: "We want to continue our growth. From the beginning we've always been aggressive." Cooke put together the MSO in 1987, buying McCaw Communications' operation with 434,000 subs for \$750.5 million. He then acquired First Carolina, a stock deal worth \$300 million. The MSO also bought a stake in the Nostalgia Network, which is now in the homes of about 500,000 Cooke subs. Throughout the protracted bidding for Cooke CableVision, the wily Cooke continued to take advantage of the private status of his company, keeping cards close to his vest and everyone else guessing for months in a process that dragged on until January.



Adelphia Communications

With the acquisition of Mountain Cable in October '88, Adelphia capped a two-year surge of system buys that puts subs at 715,000. This year appears to mark a period of settling down with its new systems and paying off debt. "Our first priority," says John Rigas, Adelphia chairman and CEO, "is to absorb our properties that we've acquired in the last two years and upgrade our present properties." The upgrade plan calls for increasing Adelphia systems from 52 to 62 channel capacity.

According to *Cable TV Investor*, the company has the highest penetration of any of the top 20 MSOs, at 68 percent, so Adelphia will be putting energies into boosting pay subs. Rigas says a larger portion of the budget is slated for marketing and more effort will be put into promoting pay services, with the goal of getting systems up to 90 or 100 percent in pay to basic percentages (a figure currently at 74 percent). Both telemarketing and door-to-door staffs were increased last year. Adelphia is introducing pay per view for the first time in a few systems. "We'll be looking at modest acquisitions this year, especially if they fit into our clustering concept," says Rigas, "but the company's position will generally be to reduce leverage."



Paragon Communications

Paragon Communications, the Denver-based MSO with 700,000 subscribers that is half owned by Time Inc. and half by Houston Industries (HI), underwent two major changes at the outset of 1989. First, management of the MSO's five divisions, which had been handled by president David Van Valkenburg and a small team, was assumed by Time's ATC. Second, Van Valkenburg says, Paragon's management was reassigned "to get to know what we bought in Rogers," a reference to HI's acquisition of 525,000 subs through its \$1.3 billion 1988 buy of Rogers U.S. Cablesystems, a deal soon closing. A key franchise (upper Manhattan) is up for renewal in 1990 and Paragon plans an upgrade to bring an old system up to speed. It is also expanding addressable units and beefing up ad sales. But the key 1989 focus is the same as it was in '88. Says Van Valkenburg: "Basic saturation growth. That's detailed, hard work."



Falcon Cable TV

While system prices soar, Falcon Cable is still flying high on a buying binge, plucking up small systems—with no plans to slow down. "We're constantly seeking acquisitions," says Howard Gan, v.p. for corporate development. For at least the next one to two years, he says, "We feel there is a limited window to acquire systems while cash flow and prices still make them desirable." On the strength of that strategy, Falcon grew nearly 30 percent between year-end 1987 and early 1989, reaching almost 700,000 subs. Just this past January it picked up 44,000 subs in Oregon as a player in the consortium buying Jack Kent Cooke's cable holdings. Gan says Falcon can afford such an appetite because it concentrates on clustering systems for economics of scale. Falcon itself is a conglomeration of some six partnerships, run by the same general partner, Los Angeles-based Falcon Holding Group Inc. At the same time, its retail strategy calls for unbundling services and creating tiers with varying numbers of channels.

Some Tough Choices

by Tim Wetmore

Can producers afford emerging technologies? Can they afford to ignore them?

More than at any other time in the history of television, technology is driving programming. Everything from new digital-effects systems to the HDTV format influences creative decisions, as well as business ones.

The questions come down to whether producers can afford to invest in these technologies, which are in a constant state of flux, and whether, because of competition, they can afford not to invest. The dilemma: Which of the new technologies is viable?

John Dykstra, president of Apogee Productions, and past winner of an Oscar and an Emmy for his effects work, believes that HDTV will become a production standard. Says Dykstra, "To my eyes, it transfers better to NTSC than film."

Still, Dykstra allows that there are difficulties with HDTV as well as with digital effects. Budget constraints constitute a set of obstacles, as does the problem of letting the technology dictate content. "You should use what works for the situation—that should be the determining factor," opines Dykstra. "The technology presenting the illusions places constraints on its own use as well as serving to enhance the final product. If it hinders practical application, then it's a detriment."

But Dykstra admits companies may have to go for the high gloss of digital technology. "Most people should produce in the highest-quality format," he says. "Syndicators will be embarrassed if their products appear inferior to future program standards."

This may be why most programs are still produced in film instead of video. If standards go beyond the current, NTSC 525-line resolution, then programs produced to NTSC will look poor compared with programs produced on 35mm film.

This competitive pressure forces producers to play with digital and high-definition technologies, regardless of

Tim Wetmore is a free-lance writer specializing in technology.

their risks. Thus it was that, a few years ago, the D-1 digital video standard was embraced by many as the pinnacle of technical achievement. Soon, however, there was a controversy over the internal processing and whether one method was prone to data errors, resulting in problems with the final picture. The industry quickly decided there were ways to resolve the problem other than to become mired in a lengthy standards battle. But was there a residual ill effect?

Patrick Howley, president of Post Perfect, a leading postproduction house in New York, thinks not. Indeed, the capabilities of D-1 have had a profound effect on the creative magic he can do for his clients. "We are often called into preproduction meetings to consult on any effects that may be in-

involved," says Howley. "If something is shot on film and transferred to D-1 or D-2 for the purpose of adding digital effects, and we help them with production choices, then it improves quality and cost-effectiveness." Digital is just one technology that producers need to understand. Further, digital high definition will be here in the first half of 1989.

But some technomavens feel that all these changes ultimately have little impact on the product. "We use so many different media, including 16- and 35mm film as well as video, that digital technology doesn't dictate creative decisions," says TV producer Steve Binder, whose company, Binder Entertainment, in association with Pee-wee Productions, produces *Pee-wee's Playhouse*. "We have a creative team that will make something happen, regardless of the technology."

Yet *Pee-wee's Playhouse* is arguably the most technologically advanced show on TV, and its postproduction work is done at the Post Group, one of the most advanced facilities. Further, without the digital audio (a Synclavier is often used) and digital video (D-1 recorders, Quantel Harry and PaintBox are central tools of the creative team), the show would not be what it is.

This is not to detract from the creative talents of Pee-wee and Binder, but it is clear from the show, and many others on television today, that forward-looking producers had better get comfortable with advanced technology. ●

From Pee-wee's Playhouse. The show's inventiveness owes a debt to digital technology.



The Spring Campaign

by Neal Koch

Following the dollar, TV production studios move to their own yearly rhythm.

Throughout America, spring brings renewal. In Hollywood, it also brings cancellation. From March through May, studios anxiously await word from the networks as to which of their shows will be ordered for the first time or renewed. And in Hollywood, renewal is where the money is.

So as the weather warms, studios orchestrate intense, sophisticated, behind-the-scenes campaigns to influence the networks. "As spring approaches, I can see it coming," says Barry Stagg, Lorimar Telepictures senior vice president for publicity, network promotion and advertising. "It's all on the line."

Renewals have grown to such overwhelming importance because of Hollywood's changing economics. Because networks pay only a portion of a show's ever-increasing production costs, studios that produce for prime time routinely run up deficits, betting that they will more than make their money back on those few hit shows that accumulate enough episodes—and exposure—to be sold into the lucrative syndication market. Usually that requires about 100 episodes, or four to five years on a network's prime time schedule. Substantially less than that and studio officials can start looking for new jobs. In fact, some insiders say such failures helped topple former Columbia/Embassy TV president and COO Barbara Corday, now CBS executive v.p. for prime time.

"When a series goes only six episodes, eight episodes," says Michael Jay Solomon, president of international TV at Warner Bros., "we lose money—a lot of money." In fact, says John Pike, Paramount's network TV president, "I'm not in the business of trying to get more series on in the fall than the next guy. First and foremost, I'm trying to get series that are already on the air back for next year. I'm in the business of trying to create long-term assets."

There's little to be done to persuade a network to stick with a program that's in the ratings cellar. But when a show's ratings are marginal or its audience mix undesirable, come March a studio's influ-

ence machine can shift into gear.

Take Lorimar's *The Hogan Family*, a half-hour sitcom that originally starred Valerie Harper and was called *Valerie's Family*. Its future on NBC looked precarious toward the end of both its second year (the 1986-87 TV season) and its third year (1987-88). So Lorimar launched a campaign to increase viewership between March and May. It bought ads in the national edition of *TV Guide*, supplemented by display ads and boldface listings in newspaper weekend TV books. On top of that, spot radio ads—which lend them-

enough to expect the networks to do that job for you."

Clearly, today's campaigners remember the dark-horse victories of yore when letter-writing fans saved the original *Star Trek* series for a third season in 1968 and producer Barney Rosenzweig successfully whipped up public and press support to save *Cagney & Lacey* in 1983.

Still, despite a campaigner's verve, winning is far from a sure thing. Last summer, MTM took an unusually blunt approach in attempting to persuade NBC to pick up its pilot *Home Free*,



Homeless: Michael Warren (left) played a foster parent in MTM's pilot *Home Free*, but found himself on the street when an ad campaign failed to produce the ratings NBC required.

selves to targeting specific audiences—were aimed at key demographic groups whose viewership in certain markets fell below the national averages for the show. Lorimar pressed NBC to contribute more money and on-air time to promote the program, as well.

Lorimar also used the show's cast and the furry star of its 8 P.M. NBC Monday hit *ALF* (*The Hogan Family*'s lead-in since March 1987) to produce individualized promotional spots for nearly half of the network's affiliates. The spots ended with station tag lines spoken by the show's stars.

NBC renewed the show. Today, says Stagg, "where the rewards are so high and the risks so great . . . it's no longer

made by *Hill Street Blues* producer David Milch. MTM took out newspaper and *TV Guide* ads proclaiming to viewers, "You Can Program the Number One Network." The ad claimed NBC would slate the show as a fall series only if it nabbed a 25 percent share of viewers during what turned out to be its one and only airing last July 13. It pulled a 14.

The incumbent *Hogan Family*, because of its success this season, appears unlikely to spur another underdog campaign this spring. Which shows might? As of press time, it still wasn't clear because of continuing fallout from 1988's writers' strike. Studios may make those decisions this month. ●



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December 1988



In or Out of the Game? *by Paul Noglows*

Narragansett Capital says it's in media to stay. But then why is it selling properties?

Narragansett Capital Inc. is as interested as ever in media investments. That's the corporate position, at least.

The company's actions in the last six months, however, seem to point to the contrary. In that time, the private investment firm, which manages over half a billion dollars of risk capital—much of it spread across equity partnership investments with proven operators in broadcast TV, cable, radio and newspapers—has substantially pared the empire it began building in 1986.

In November 1988, the company announced the sale of ABC-affiliate KOVR-TV in Sacramento, Calif., to Anchor Media Corp. (a Robert M. Bass Group affiliate) for about \$162 million. The station, bought by Narragansett from Outlet Communications in March 1986 for \$104 million, was considered the crown jewel of the company's expanding media base.

Managing directors Gregory Barber and Jonathan Nelson predicted in late 1987 that by 1990 their empire would consist of a million cable subscribers, a half-dozen larger-market network TV affiliates and a host of radio and newspaper properties. It now appears they may have trouble meeting that mark.

In December of last year the company announced it was considering selling six cable properties it jointly owns and operates with Rifkin & Associates. The systems serve about 90,000 subscribers, almost 25 percent of Narragansett's 400,000 subscriber base.

Both Barber and Nelson contend that the 180-degree turn from buyer to seller is not as drastic as it may first appear. They point out that while the company has indeed shed some of its media holdings, it has at the same time acquired others. Last August the company purchased two daily and three weekly newspapers in Michigan, and since December it has added 25,000 cable subscribers through acquisitions.

"When we sell something it doesn't mean we've now turned bearish on that



industry," says Barber. "We still believe in all these businesses. We're not selling cable because we fear the telcos coming in tomorrow and competing with the properties we own. In television, we feel it is still a good long-term business even though some of the parameters may have changed."

Concerning the sale of affiliate KOVR, Nelson says: "There was a disparity between the bid and ask prices for television properties. For the past year and a half we've been trying to buy television, but our view of values was either less than another buyer's or less than a seller's expectations. That is finally narrowing." He adds: "We're



Narragansett's Barber (l.) and Nelson.

trying to buy network affiliates, but we need to do that on a reasonable basis. The multiple that is implied in that sale of KOVR was sufficient to cause us to go forward with the sale. If we were going out and buying affiliates at the multiple we sold that one for, then you ought to question our strategy."

As for the sale of the Rifkin systems, Barber says: "It was the right time in the life-cycle of those investments. We bought them at low prices, the operating strategies that induced us to make those acquisitions have been implemented and from here on we see a slowing rate of appreciation."

It's not unusual for a group like us, despite our long-term feeling about values of properties in all the media we've mentioned, to take a profit selectively," says Nelson. "Selling is in part a hedge. As long as we're buying today and expect to tomorrow, we thought it made sense to sell where we had mature properties with significant gains to be realized on them, which has the effect of putting us in the position to buy even more."

And that, say Barber and Nelson, is what Narragansett will be doing in 1989. "We hope to expand relationships with cable operators and, at least, replace the subscriber base we're now selling," says Barber. "We're also looking to do much more than just replace KOVR in terms of value, but that really depends on sellers and the behavior of competitive buyers," adds Nelson. "We'd always expect to be buying more than we're selling. If you pick a short enough period of time you'll find exceptions. If you pick a two-week period, it won't be true. But if you pick an 18-month period, I don't think you could find a period, including the one we're in right now, where we've sold more than we've bought." ●

Contributing editor Paul Noglows is New York reporter for Media Business News.

The Top 15 Cable Nets

An update on the 15 largest cable networks ranked by number of subscribers reveals that longevity helps rake in subs. Number one ESPN has held the position since 1983. The subscriber number below does not represent the actual viewing audience, but rather the total universe that can receive the network in question.

Rank	Cable Network	Start-up Date	Systems	Subscribers (Millions)
1.	ESPN	Sept. 1979	19,000	50.1
2.	Cable News Network	June 1980	8,200	47.9
3.	TBS	Dec. 1976	12,885	45.6
4.	USA Network	Apr. 1980	10,100	45.2
5.	CBN	Apr. 1977	8,225	42.7
6.	MTV	Aug. 1981	5,050	42.6
7.	Nashville Network	Mar. 1983	7,510	42.0
8.	Nickelodeon	Apr. 1979	6,245	41.4
9.	Lifetime	Feb. 1984	4,200	39.9
10.	C-SPAN	Mar. 1979	2,950	39.0
11.	Nick at Nite	July 1985	3,335	37.1
12.	Weather Channel	May 1982	3,200	36.0
13.	Arts & Entertainment	Feb. 1984	2,600	36.0
14.	Discovery Channel	June 1985	3,700	35.8
15.	Headline News	Jan. 1982	3,200	32.6

Source: NCTA National Cable Network Directory, Sept. / Oct. 1988. Includes SMATV affiliates.

Fourth-quarter Action

With a presidential election smack in the middle of the quarter, and company takeovers left and right, deals did not go down very smoothly late in '88. Following a jam-up of sorts, however, some TV sales went through. But total TV station sales for 1988 were the lowest in four years, according to Paul Kagan Associates.

TELEVISION STATIONS

BUYER	SELLER	BROKER	PROPERTY	PRICE (MIL)
Walt Disney Co.	RKO General	None	KHJ-TV, Los Angeles, Calif.	\$217.0
Anchor Media Corp.	Narragansett Capital	Goldman Sachs	KOVR-TV, Sacramento, Calif.	168.0
RSA Media Corp.	Cosmos Broadcasting	None	WSFA, Montgomery, Ala.	70.0
Renaissance Comm.	BMA Corp.	First Boston	KTXL, Sacramento, Calif.	56.0
American Family Broadcasting Grp.	Pegasus Broadcasting	None	WTVM, Columbus, Ga.	45.0

CABLE SYSTEMS

BUYER	SELLER	BROKER	PROPERTY	PRICE (MIL)
Westmarc Comm.	TCI, Robert Bass Group	None	210,000	\$420.0
Triax USA	Cable Systems USA	Goldman Sachs	135,000	243.0
United Artists (75%)	Act LPs	None	37,600	94.0
Times Mirror	McDonald Group	NA	29,000	67.0

Sources: Media Business News, Morgan Stanley & Co.

★ RATINGS ★

TOP NETWORK SERIES

First 17 weeks of season, Sept. 18, 1988 through Jan. 8, 1989

SERIES / NETWORK	RATING / SHARE
1 The Cosby Show / NBC	25.2 / 41
2 Roseanne / ABC	22.2 / 33
3 Cheers / NBC	22.1 / 34
4 A Different World / NBC	21.9 / 35
5 Golden Girls / NBC	21.0 / 37
6 60 Minutes / CBS	20.9 / 34
7 Who's the Boss? / ABC	20.4 / 32
8 Murder, She Wrote / CBS	19.8 / 30
9 Empty Nest / NBC	18.7 / 33
10 Growing Pains / ABC	18.5 / 30
11 L. A. Law / NBC	17.9 / 30
12 Dear John / NBC	17.9 / 28
13 Head of the Class / ABC	17.6 / 27
14 ALF / NBC	17.5 / 27
15 Matlock / NBC	17.5 / 27
16 In the Heat of the Night / NBC	17.1 / 26
17 Monday Night Movies / NBC	16.9 / 26
18 Monday Night Football / ABC	16.8 / 28
19 Hogan Family / NBC	16.7 / 25
20 Hunter / NBC	16.4 / 31
21 Unsolved Mysteries / NBC	16.3 / 26
22 Night Court / NBC	16.1 / 25
23 Amen / NBC	15.9 / 29
24 CBS Sunday Night Movie / CBS	15.9 / 26
25 NBC Sunday Night Movie / NBC	15.7 / 25
26 Knots Landing / CBS	15.6 / 26
27 Moonlighting / ABC	15.6 / 25
28 Dallas / CBS	15.5 / 26
29 Designing Women / CBS	15.3 / 23
30 Thirtysomething / ABC	15.1 / 25
31 Family Ties / NBC	15.0 / 22
32 Murphy Brown / CBS	14.9 / 22
33 Full House / ABC	14.8 / 26
34 227 / NBC	14.5 / 26
35 Wonder Years / ABC	14.5 / 23
36 ABC Sunday Night Movie / ABC	13.9 / 22
37 20/20 / ABC	13.8 / 25
38 Perfect Strangers / ABC	13.7 / 24
39 Midnight Caller / NBC	13.6 / 23
40 Hooperman / ABC	13.6 / 22

Source: Nielsen Media.
Note: The home video ratings and sales rankings will return in April.

★ RATINGS ★

TOP BARTER SERIES

First 16 weeks of season, Sept. 4, 1988 through Jan. 1, 1989

SERIES/SYNDICATOR	RATING
1 Wheel of Fortune / King World	15.2
2 Jeopardy! / King World	12.7
3 Cosby Show / Viacom	11.4#
4 Universal Pictures Debut Network (movies) / MCA-TV	10.9#
5 TV Net Movie / Teletrib	10.2#
6 Oprah Winfrey / King World	9.9
7 Star Trek: The Next Generation / Paramount	9.5#
8 Columbia Night at the Movies / Columbia	9.0#
9 Wheel: Weekend / King World	8.9
10 Tri-Star Showcase / TeleVentures	8.6
11 MGM Premiere Network III / MGM/Group W	7.5#
12 National Geographic on Assignment / TPS	7.3#
13 Ent. Tonight / Paramount	6.8#
14 Win, Lose or Draw / Buena Vista	6.8
15 War of the Worlds / Paramount	6.5#
16 Donahue / Multimedia	6.5
17 People's Court / Lor.-Tel.	6.0#
18 Geraldo / Teletrib	5.9#
19 Current Affair / 20th Century Fox	5.8#
20 USA Today / GTG Marketing	5.8#
21 Mama's Family / Lor.-Tel.	5.7#
22 Family Feud / LBS	5.6
23 Superboy / Viacom	5.5#
24 Star Search / Teletrib	5.4#
25 Color Classic Net One / TPS	5.3#

TOP CABLE NETWORKS

Average ratings / projected households, December 1988

NETWORK	7 A.M. TO 1 A.M.	PRIME TIME
1 TBS	2.0 / 959,000	2.6 / 1,246,000
2 ESPN	1.2 / 599,000	3.1 / 1,547,000
3 USA	1.2 / 558,000	1.9 / 883,000
4 CBN	0.8 / 350,000	0.9 / 393,000
5 CNN	.7 / 345,000	1.1 / 542,000
6 MTV	.7 / 311,000	.8 / 355,000
7 Nashville Network	.5 / 216,000*	.8 / 474,000
8 Lifetime	.5 / 209,000	.9 / 376,000
9 Discovery	.4 / 149,000*	.8 / 298,000
10 Headline News	.4 / 139,000	.3 / 104,000

Includes multiple exposures.
* 9 A.M. to 3 A.M. Note: cable ratings are percentages within the varying populations that can receive each network. Networks are ranked by projected number of households rather than ratings. Source: Nielsen Media Research data.

THE MAGID NUGGET

Choosing from the Pickings

Everyone is talking about grazing, the new way of watching TV, armed with a remote control and showing no tolerance for boredom. Actually, when looking at an average TV viewing audience, the most popular form of choosing a show or shows is to peruse the listings for the night and select a few programs to watch. At least that's according to Channels' exclusive survey of 650 people. Once broken up into sub-groups, the results show other trends. Some selections of how people choose to watch TV:

	Find out what's on all/most channels and choose	Switch channels until find something interesting	Don't watch TV each night	Find out what's on some channels and choose	Turn to favorite channel; if okay, watch it	Other	DK / NA
Total	40.6%	20.8%	13.4%	10.6%	6.8%	4.2%	3.7%
Sex							
Male	41.1	22.6	10.0	10.3	6.6	5.6	3.8
Female	40.2	19.0	16.6	10.9	6.9	2.7	3.6
Age							
18-24	26.5	39.8	18.4	5.1	10.2	0.0	0.0
25-34	41.5	23.3	11.3	11.9	5.7	3.8	2.5
35-49	47.6	17.1	16.5	7.1	4.1	5.3	2.4
50-64	43.0	14.9	14.0	11.6	6.6	5.0	5.0
65+	38.2	11.8	5.9	18.6	9.8	5.9	9.8
Basic Cable?							
Yes	44.9	24.3	10.0	8.6	5.1	4.0	3.1
No	35.7	16.7	17.3	13.0	8.7	4.3	4.3
Remote Control							
Yes	43.7	21.5	11.3	11.5	5.7	3.6	2.6
No	30.8	18.6	19.9	7.7	10.3	5.8	7.1

Source: Frank N. Magid Associates Inc., for Channels.

Network Advertising: Most of 1988

Network advertising went up and down in 1988, depending on the daypart in question. Prime time, though suffering from lesser shares of the viewing audience, still experienced healthy gains as the year progressed.

Daypart	1st Quarter '88	2nd Quarter (Dollars in thousands)	3rd Quarter
Prime time	\$1,341,992.3	\$1,286,400.6	\$1,096,412.8
Percent change from previous quarter		-4.3%	-17.3%
Mon.-Fri. Daytime	389,974.2	400,007.3	458,700.5
Percent change from previous quarter		+2.5	+12.8
Sat.-Sun. Daytime	405,166.9	312,037.5	284,932.9
Percent change from previous quarter		-29.8	-9.5
Early-Late Fringe	317,965.0	293,635.4	358,696.6
Percent change from previous quarter		-8.3	+18.1

Source: Television Bureau of Advertising.

ADVERTISING



The New TVX, Burnished by Tough Times

John Trinder thinks the troubles that almost toppled TVX have left the group in great shape heading into the 1990s.

From 1979 through 1987, TVX Broadcast Group grew steadily from the owner of a sole independent TV station (in Norfolk, Va.) to one of the country's most prominent indie operators. By April '87, after sealing a \$234 million deal to buy five Taft Broadcasting stations, TVX had 12 stations. But its growth came at considerable cost. As the ad market softened in '87 and '88, TVX was forced to recapitalize, and Salomon Brothers—the underwriter of much of TVX's expansion—exacted an equity position in the company. Now, TVX is scaling back. It is selling all but five or six of its stations. And under president and CEO John Trinder, who joined the company as “its first paid—and sometimes unpaid—employee” back in 1979, TVX is healing itself. In January, Paramount acquired an option to purchase Salomon's 79 percent stake in TVX within the next four years. Trinder recently talked with Channels editors John Flinn and Neal Koch about his plans.

Broadcasting Boot Camp

It would be one thing if we just went through Parris Island. But we went through Parris Island, airborne training and a lot of other things all basically in the last two years. At the same time, the program crunch hit, inflation stopped, revenue didn't grow at the same rate, and then we got into the deal to buy the Taft stations, in which we got into a lot of debt.

To get through all that . . . I think we had some fantastic training. Some companies now are just going into some of the training we've been through.

We've had a valuable experience, and we're all better for it.

The New Environment

Almost every station group today plans more carefully how they buy their syndicated programming—how they spend for almost anything, whether it's major sports productions or increases in personnel or whatever. We have to run our companies differently. We've all heard it for the last 18 months over and over again: We're businessmen, and we're not “in broadcasting.” What we're finding out is that we can be both. We have the opportunity to be good broadcasters and good businessmen.

The secret is being aware of the trust you have and the licenses you have. But also realizing that those trusts are only good if the company is a profitable company that's making money, that's able to pay the people who work there, that is able to pay the bills and grow into a more valuable trust.

The Paramount Deal

In the short term, it's an excellent opportunity for TVX, to have an entertainment company such as Paramount willing to invest their money in us, and to look at this company as a possible partner into the future.

I think it also speaks well for independent television, that a company such as Paramount is willing to say that independent TV is healthy, and that it's time they take a stronger look at it, as a lot of their competitors have done in the past: MCA, Disney and so forth. It's the beginning of the culmination of our employees' hard work.

Minding the Bottom Line

I don't think it would be good for the industry if we all suddenly became numbers-crunchers. But at the same time, we certainly have to be more aware that the profitability of the company is the first goal at all times—not being number one in the market, not having the highest-rated show or the best public-service campaign. Those are all nice things, and will always be nice to have. But you have to be able to pay your bills. That used to be easier to do, and it got very difficult to do.

Reshaping the Cookie Cutter

Recently, at an annual TVX dinner, I said, “It's time for TVX to become a kinder, gentler company.” And I meant that. We still have to have our fiscal responsibility. But . . . the cookie-cutter [a TVX mandate that each TV station be run with just 37 people] was a reality and a non-reality at the same time. We did run some stations with 37 people. But they could be run with 37 people. If the station needed 47 people, we ran it with 47.

We had different-sized cookies. But we did put in an employee chart, and we thought that if you could run a traffic department in Dallas with four people, you probably could run one in Washington, D.C., with four people.

Budgeting with a Sharp Pencil

Our company is basically well-run when it comes to expenses on a day-to-day basis. We miss very, very few expense line items. To me, our zero-base budgeting has been more important than the so-called “cookie-cutter.” We do zero-base every year, right down to

the pencils. If a fellow asks for 100 pencils, then that's all he's gonna get. And we make him qualify for those.

The Bite of Programming Costs

With programming costs, the only way that we could solve that problem was to do nothing; I mean, absolutely sit on our hands and not buy. I've always said that if you could dig a hole, put our company in and bury it, and take it out January 1, 1990—it would be a great, great company. We had a lot of film payables to pay off, and most of them would be gone by 1990. And it wasn't just the cost: some of it was not very good, so it was sitting on shelves. But we had to continue paying.

But no matter how bad our problems were, we were always on time with our film payables. And I don't think that can be said for everyone else in the industry. I know we don't have a film-payables problem with any syndicator out there. And I am proud of that.

Taft: Bonus or Blunder?

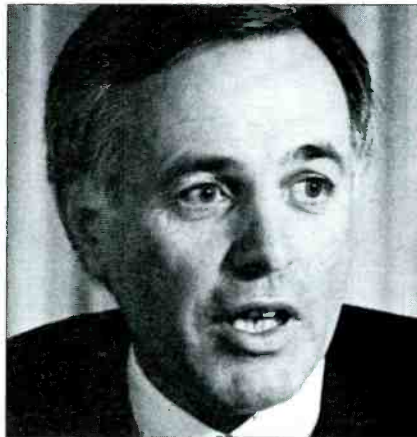
It's proved to be the salvation of TVX. First of all, when we bought the Taft stations, we bought five major-market TV stations at \$213 million [net cost], which I still think will prove to be a good buy. We bought, I think, one of the best independent stations in the country—WTFX in Philadelphia. We got a station in Washington, which is probably the largest market in the country with only two really effective independents operating.

TVX before that was a combination of seven small-market stations that was going through the exact problems every other group was going through. Our film payables had gotten very high. We were going to get into a revenue crunch. And we would have been owing our debt to more than one source. We would have been squeezed, and it's hard to say what would have happened. I don't know whether we would have been in a position to walk through the last 12 or 13 months. But the Taft acquisition gave us the opportunity to create a workout situation with our biggest creditor, Salomon Brothers. They stood by us shoulder-to-shoulder through the worst of it.

Sales Boosters

Television is still a business that has a tremendous amount of growth in it. And the growth is going to be in local sales, no question. . . . In every market we're in, the newspaper is outbidding all the TV stations combined. Our biggest research area, and biggest growth area, is to be more effective for retailers. In Dallas, we started the Delta Force, which was a group of young, ag-

'The cookie-cutter was a reality and a non-reality at the same time. We did run some stations with 37 people. If the station needed 47 people, we ran it with 47.'



gressive sales people, well trained—we took them for three months of training before we put them on the street—and they only call on retail.

Programming Consortiums

We're not a member of one, and I don't feel any pressure to become a member. When we're down to what I consider to be the core of the company a year or so from now, we will probably [reach] just under 12 percent of the country, which is still a strong base to operate out of.

We were the first group to commit to the new *Munsters*. And our back end of it is well over 50 percent of the cost of that show. So I think that we were the launching pad of that show. We have the ability to continue to be a launching pad. But is that our goal? I'd have to say it isn't.

Building Bridges to Cable

Each general manager has a responsibility to get out and meet them, talk to them and discuss problems. It's no different than with a retailer: find out what their problems are, what their opportunities are and how we can work together to benefit both parties. I look upon cable and independent TV as a win-win. We need them and I think they need us. We love anything that makes us an equal in our signal.

Affiliation Voodoo in Miami

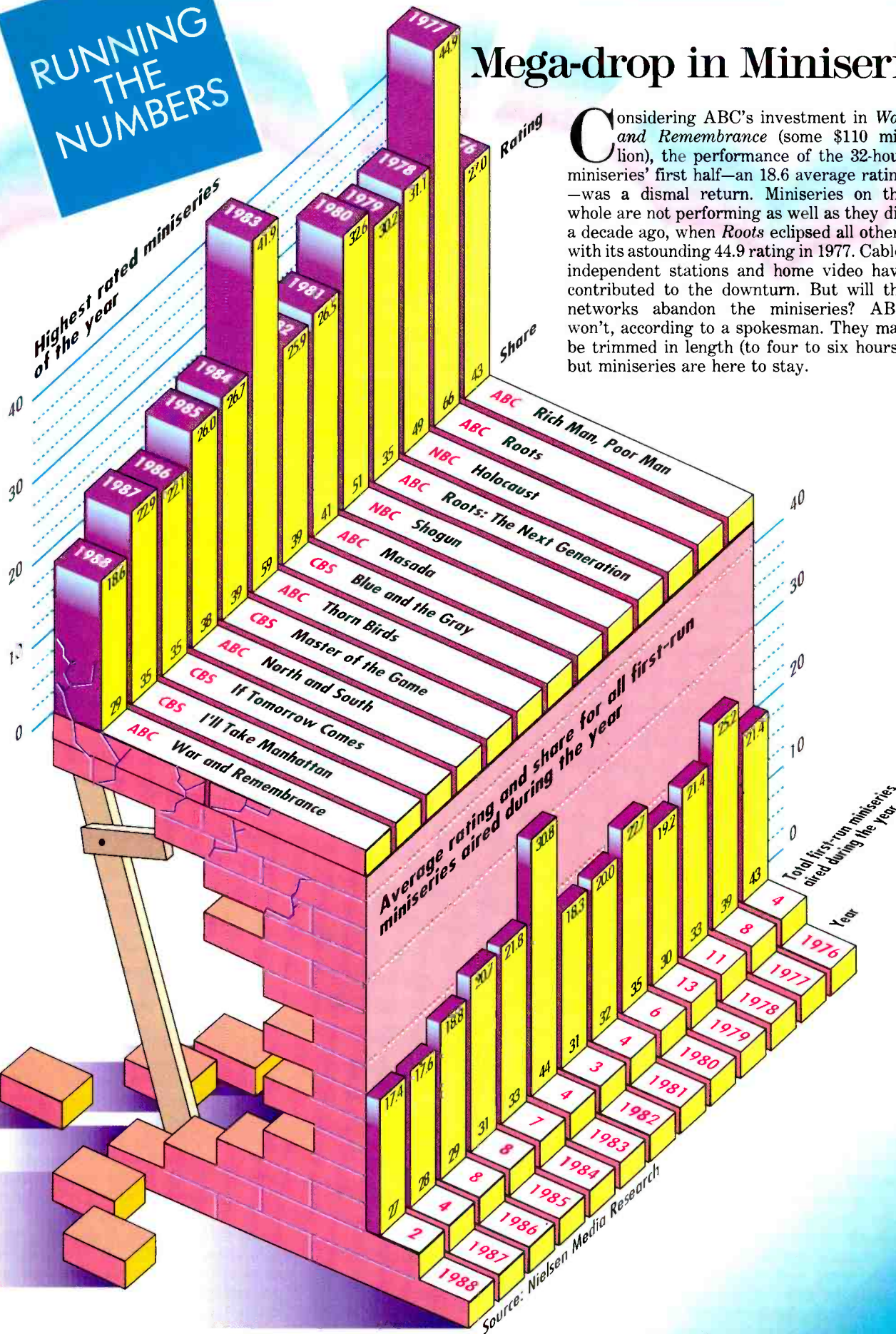
The good old days are over. None of the rules from before are in existence today. The networks are being run by businessmen, and they are going to make decisions that they feel are best for their companies. In the process, there may be some long-term relationships that get hurt. But there are very few people at the networks now who were part of those long-term relationships. They're all new people. So the game has changed, and I think there may come a time when all of us have the ability to compete for a so-called "network show" or an affiliation.

Some affiliate stations may have to decide whether they want to continue in that partnership—if they think they could make more by just programming their own station. No matter how you look at it, if you have a show like *Star Trek: The Next Generation*, you have a much better barter situation than the affiliate does with his normal prime time shows. You can literally make more money. And you're going to see network compensation change. The funny thing about it is that they ever paid them anything. We've been out there spending a lot of money on programming, where [affiliates] have been giving up their inventory *plus* getting paid for it. ●

RUNNING THE NUMBERS

Mega-drop in Miniseries

Considering ABC's investment in *War and Remembrance* (some \$110 million), the performance of the 32-hour miniseries' first half—an 18.6 average rating—was a dismal return. Miniseries on the whole are not performing as well as they did a decade ago, when *Roots* eclipsed all others with its astounding 44.9 rating in 1977. Cable, independent stations and home video have contributed to the downturn. But will the networks abandon the miniseries? ABC won't, according to a spokesman. They may be trimmed in length (to four to six hours), but miniseries are here to stay.



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Photo courtesy WISC-TV, Madison, Wisconsin.*

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Emilio Estevez stars with Martin Sheen and Lea Thompson in an original TNT production, NIGHTBREAKER, the compelling story of American troops recklessly exposed to deadly fall-out during atomic bomb tests of the 1950's. In this screenplay by T.S. Cook (China Syndrome), a respected neurologist (Sheen) is forced to recall his role as a young psychologist (Estevez) in secret army experiments, and must choose between his conscience and the loyalty oath of NIGHTBREAKER. Premiering March 8, NIGHTBREAKER is another example of the TNT programming power that helps you sell new Basic Cable subscribers and build local ad revenues. Make sure your subscribers get to see it ... exclusively on TNT.

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