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Television/Radio Age

INCLUDING CableAge
July 8, 1985 $3.50

22 all new, first-run episodes

Volume XXXII, No. 26
July 8, 1985

Television/Radio Age

Five analysts discuss the reasons for the current acquisition fever and record television station prices

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128 MARKETS!

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- PHILADELPHIA (KYW)
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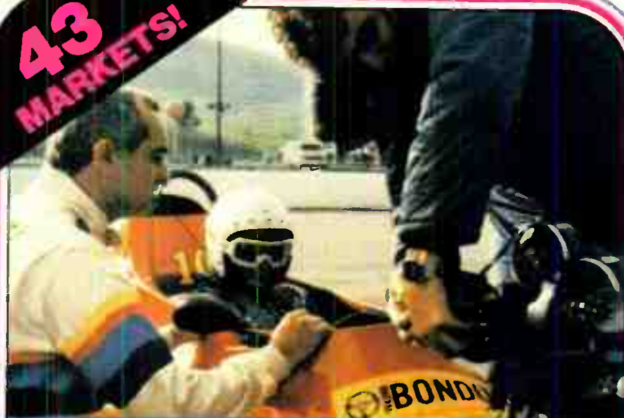
- HOUSTON (KHOU)
- ATLANTA (WXIA)

NATAS

*Cinematography, Film Editing and Music Direction/Composition

43 MARKETS!



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- DETROIT (WDIV)
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- CHICAGO (WMAQ)
- HOUSTON (KHTV)
- CINCINNATI (WCPO)

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260 "Family Feud" episodes so good that no other show stood a chance against them

SuperFeud!

"The Best of Family Feud" is a selection of super-charged half hours to play wherever your station needs help the most. It's 52 weeks of well rested strip programming with no repeats. And it's available for September starts with no spots withheld and no time period restrictions.

This is the best of the super "Feud" that swept 17 sweep periods as the Number One game in syndication and reigned as the favorite game of women 18-49 in 18 sweeps.

It's the same super show that ranked as daytime television's Number One game for three years, in the Top Three for eight years, and attracted more women 18-49 per thousand households than any other daytime game for seven years.

It's the show that ABC chose to put in its prime-time schedule 17 times with a resulting average national rating of 16.9 for all broadcasts.

So, wherever you choose to put "The Best of Family Feud," you know one thing. This super package of selected episodes can win in any time period!

GOODSON-TODMAN'S

"The Best of Family Feud"

Source: syndication (NSI/ROSP, 1977-85), daytime (NTI, 11/76-84), prime time (NTI for scheduled playdates, 1978-84).

Viacom®

Publisher's Letter

Biannual Roper Study: Always a significant and interesting report

One of the most significant and interesting studies, that has proven extremely useful, is the Roper data released biannually since 1959. As Dr. William F. Baker, chairman of the Television Information Committee and president of the Television Group, Westinghouse Broadcasting and Cable, Inc., has observed, "The Roper data have proved uniquely useful to many—useful to scholars and educators, government officials at all levels, religious and civic groups, businessmen, broadcasters and interested viewers." The Television Information Office has supported and published these measurements, despite early findings that were not so favorable to the television media.

Burns W. Roper, who succeeded his father as head of the Roper Organization, has commented that the data confirm the fact that television, over the years, has achieved an increasingly important position in the lives of Americans. "Television became the dominant information medium in 1963, and has steadily increased its lead ever since. Television has met the challenge of keeping up with great changes in American society since the start of these studies near the end of the Eisenhower years. Through times of political upheaval, enormous changes in sexual mores, moves for minority rights and moves for women's rights, television has changed with the times and become a more and more vital force in society. Like other institutions, television has had its share of critics, but among the public, critics remain in the minority. The study documents again the special place television holds in American life today."

News question. The first question that has been asked of the respondents, in each study is, "Where do you get most of your news?"

In 1959, 59 per cent got most of their news from newspapers; and 51 per cent from television. That figure increased to 64 per cent for television in 1984; newspapers declined to 40 per cent (including duplications).

Television has led as the most believable news medium since 1961. In 1968, the medium reached a two to one advantage over newspapers. And in the last study, the believability factor of television had increased to 60 per cent.

In the 26 years that these studies have been analyzed, there has been, according to Roper, a marked social change. The question has been asked in every study: "How well are newspapers and television regarded at the local level when compared with two other community institutions: schools and government?"

For the past 17 years, television has had a commendable lead on good performance over the three other commercial institutions. This past year, television stations held their lead and are four points higher than they were two years ago.

Hostage situation. In view of the recent hostage situation, and the eventual freeing of the Americans, there has been a great deal of discussion about the role of the media. However, the public's reaction to national news last year continues to remain high.

Roy Danish, director of the TIO, put the study in perspective when he said that the data should encourage further pursuit of excellence.

Sol J. Paul

IT WORKED ONCE,

BUT HOW DID "DALLAS" DO IN IT'S SECOND RUN?

OUTSTA

DETROIT

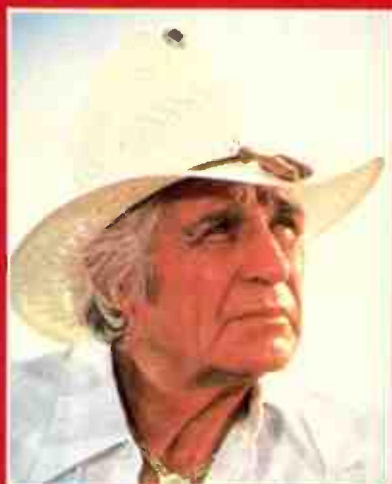
- Increased its own February share by 20%
- Up over the prior year in HH share, W18-49, W25-54, M18-49 & M25-54

RALEIGH

- Increased its own February '85 shares in W18-49, W25-54, M18-49 & M25-54
- Up over the prior year in homes and every adult category

NASHVILLE

- #1 in W18-49, W25-54 and adult 18-49
- Increased its own February '85 shares in homes and every adult category



TAMPA

- #1 in W18-49 and M18-49
- Increased its own share of homes and women demos from February '85

WICHITA

- #1 in rating, share, homes and all women and adult demos
- Increased its own February '85 share of homes, W18+, W18-49 & W25-54

Source: NSI Cassandra May '85

NDING!

TOPEKA

- #1 in rating, share, homes and every adult demo
- Up over the prior year in every category

RICHMOND

- #1 in rating, share and every adult demo
- Increased its own February '85 share of adult 18-49 and adult 25-54

MIAMI

- Increased its lead-in in rating, share and every adult demo
- Up over the prior year in rating, share and every adult demo

TULSA

- #1 in rating, share, homes, W18+ and M25-54
- Up over the prior year in rating, share, and all key demos

AND THERE ARE MORE GREAT SUCCESS STORIES... STILL IN FIRST RUN.

LORIMAR®

Letters

Anti-drinking campaigns

In looking through your *Television/Radio Age*, May 27, 1985, issue, I came across your article titled *TV stations mount strong campaigns against overdrinking.* I am incensed over the fact that your article omitted mentioning a "Don't Drink and Drive" 30-second PSA produced by the Oklahoma City Chapter of the International Television Association. Maybe you just don't know about it. I produced it; therefore I feel it is my obligation to tell you about it.

In the fall of 1984 the Oklahoma City Chapter of ITVA produced a 30-second spot on "Don't Drink and Drive" and distributed it to all of the local stations for airplay. It received over $15,000 of free air time in three weeks of December, 1984. It has won a first place Addy Award and was a finalist in the Tele Competition. We have had 16 chapters of ITVA buy it ($70 for a one-inch dub, stereo or mono) and distribute it to their local stations all over the nation. L.A. was the first market to buy it, to give you an example of its caliber. More and more chapters are buying it, solely on word of mouth. This spot was done on an all-volunteer basis; we had over 150 people work on it (actors, actresses, technicians, people behind the scenes).

Over a quarter of a million dollars in equipment was loaned for us to complete the project. Quite a remarkable feat for a market this size. It cost our local chapter a little over $1,000 in total cost for the production.

The concept behind this PSA is that it's great to go out and have a good time, but you don't have to get drunk to do it. This spot is primarily aimed at people who go clubbing regularly, who might be turned off by hard-hitting drunk drivers PSAs. Not only was this spot on TV stations locally and across the nation, but also on MTV and the USA Cable Network. Here at the Oklahoma City Chapter we feel it is a very effective PSA; it is something we believe in.

CHRIS L. STEVES
Audio-Visual specialist,
Oklahoma Gas & Electric Co.,
Oklahoma, City;
Vice president,
ITVA Oklahoma City Chapter

Ed. note: The article in the May 27 issue was based on answers to a TV/RADIO AGE survey of all commercial television stations in the U.S.

I read with interest your article *TV stations mount strong campaigns against overdrinking.* Please let me add that radio has been involved with this issue for many years. As the problem of alcohol abuse has continued to grow—particularly driving after drinking. Radio broadcasters throughout the United States have responded by carrying more PSAs, public service programs and news stories on this issue than ever before. Nearly every radio station in the United States has been and continues to be involved.

NAB Radio has spearheaded the drive for more community awareness by providing its membership with various spot announcement packages, both produced specifically for NAB, as well as providing spots from a number of agencies to stations. The NAB Alcohol Abuse Clearinghouse has hundreds of examples of what radio stations are doing to address this serious societal problem.

DAVID E. PARNIGONI
Senior vice president, radio,
National Association of Broadcasters,
Washington, D.C.

In reading your May 27th issue, I noticed a huge feature entitled: *TV stations mount strong campaigns against overdrinking.*

How about radio stations? RKO Radio has a promotion called BADD (Bartenders Against Drunk Driving. It's the brainchild of Joe Kelly, general manager of WROR in Boston.

Bartenders from local bars, restaurants and hotels act as spokespersons for the campaign. Promotional material such as buttons, bumperstickers, banners and table tents are distributed to local establishments and serve as a reminder to patrons not to mix drinking and driving. Public service announcements are broadcast featuring bartenders stating the seriousness of the drunk driver problem.

We know that it's not only the alcoholics who are killing and being killed on our streets and highways.

The casual drinker who overindulges is as deadly behind the wheel of a moving vehicle as any alcoholic. That's why we plan to get the message to those people who drink socially, casually, for enjoyment. Our whole campaign is geared toward making these people think before they drink. We don't want them to get to the point of intoxication and then ask a bartender to decide what to do. The plan is to help people become more careful drinkers, not to ask them to stop.

CINDY RAKOWITZ
Director, media relations,
RKO General, Inc., New York

AND THIS FALL

THEY'LL WATCH KNOTS LANDING.

WEEK AFTER WEEK #1 IN IT'S TIME PERIOD. . . AND FOR THE WEEK OF MAY 20, THE #1 NETWORK PROGRAM!

ource: NTI 1984/85 Season
NTI: W/C 5/20/85

LORIMAR ®

Sidelights

Harrods across the sea

During World War II and the first years of the post-World War II period there was an expression—"hands across the sea," that phrasemakers used to dramatize the special relationship that existed between the United States and England.

That special relationship exists in tourism, where many Americans visit London throughout the year. Recently London merchants have taken various approaches to market their wares in America.

The boldest thus far is Harrods, the famed English department store that has run a television commercial in three major East Coast markets, Boston, New York and Washington.

Harrod's the British department store and British Airways cooperated in a split-screen cross plug that appears on a 30-second spot promoting Harrod's July sale. The suggestion to viewers in New York, Boston and Washington—if you're visiting London you should be visiting Harrods and fly British Airways.

Split-screen spot

The spot was produced by Harrods in-house with the cooperation of British Airways, which flies to London from 15 American cities. The spot promotes Harrod's July sale which began on the 12th and continues through July 27.

This is the first time any Harrods commercial was aired on American television, though the department store has placed spreads in *The New York Times*.

The commercials ran in early morning, early evening and late night news programs.

"For any retailer, one way to increase market share is to make the market for the store bigger. In this respect, Harrods is on the cutting edge," says Wallace Westphal, director of retail marketing for the Television Bureau of Advertising.

Theme for the commercial is straightforward enough: If you're coming to London this July why not stop in at Harrods, where prices are reduced by as much as 50 per cent. The creative concept was also handled by Harrod's.

Computerized celebrities

Talent buying organizations' requests for celebrities who fit their demands have led to what is said to be the nation's first computerized data-bank of celebrity information.

The data-base system uses a "unique" laser disk retrieval and storage system to provide advertising and public relation agencies, corporations, film studios, networks, independent producers, casting directors and other talent buying organizations with information on celebrities ranging from commercial, television and film credits to physical data and business relationships.

The system was unveiled by Starkives, Inc., a talent data information and consulting company.

"We believe an immediate and strong market demand exists for Starkives' specialized services," says Jeff Troncone, the company's chairman and president.

"With millions of dollars at stake in the selection of the 'right' spokesperson, the need to use the most effective, scientific matching process is critical," says Troncone. He adds, "With our new computerized retrieval and storage system we will be able to respond quickly and accurately to any kind of request."

If talent buying organizations need information on the top 10 celebrities in descending order in the opinion of specific product purchasers or actors who have won "Best Actor" Oscars, "Starkives is equipped to provide data to meet all these requests," says Troncone.

"Industry research has shown that product/spokesperson compatibility is critical to the success of any advertising or promotion campaign, with rapid decisions necessary to gaining the most benefit from the current popularity of a celebrity.

"By using Starkives' computerized services, a company will be able to expedite their selection almost instantaneously. In the past such a process has often been long and tedious." Troncone said.

Starkives also provides industry users with still frames on more than 5,000 celebrities, and video clips, audio tracks and photos on new stars.

'Staying relevant'

SSC&B Lintas Worldwide's newest in-house publication, *Staying Relevant*, promises to bring the answers to questions about the consumers of the future "a few steps closer."

The magazine's goal is to tune into the "shifting ways consumers think and feel." Frank DeVito, vice chairman & director of creative services for SSC&B, says that "today we have a new generation that is bored with the values of its past. They want instant rewards, instant gratifications . . . and entertainment." He adds, "They have high standards. They know and want the best."

Staying Relevant claims that its principal target is the highly intelligent audience of the future. DeVito says, "They're skeptics who see easily through the false claims, the phony situations. In short, they want to be treated honestly and intelligently. Like you and I.

"These young people grew up with an experiential explosion. An explosion of music and sounds, video games, computers. And a whole new phenomenon called MTV.

"This audience has seen and accepts every new technique, image and new special effects. They have an insatiable appetite for more . . . and for what's new.

"If the shows on radio and television don't interest them, they tune them out, and tune in their VCR or walkman instead.

"They grab their remote control units and hop around from station to station, picking and choosing what interests them. And if your message doesn't interest them, you're finished. And so is all the money you spent on your message."

The publication, for the people in the advertising and marketing professions who "need to keep pace with the swift changes of today's market," is distributed internally to its employees and to its clients, but is available for those who request it. The magazine is published twice a year.

Applauding creativity

Saatchi & Saatchi Compton will be mounting the first of a series of distinguished art/photography loan exhibitions at the agency.

"As we become an increasingly creative agency, it seems appropriate to applaud and recognize creativity in the broadest sense—not just in advertising," says Edward L. Wax, president and chief executive officer.

The first artist to enhance the walls of the agency will be Arthur Meyerson, whose award winning work consists of a variety of prints taken on assignments

Sidelights *continued*

around the world.

In the upcoming year, the agency will recognize the work of other leading artists through its in-house exhibitions.

Getting a buzz on

It has been said that music can "calm any beast." Well, CIME-FM of Quebec, Can., as reported by *The Wall Street Journal*, has been broadcasting "anti-mosquito" frequencies as an antidote to the summertime pest.

These buzz-like transmissions, which imitate the high-pitched sound of male mosquitoes, are broadcasted simultaneously with regular music programming for its cottage-country listeners north of Montreal.

Only female mosquitoes bite, and only after they've mated, and the theory is that they will be repelled by the sound of males flying around, and, thus, leave the area.

CIME's station manager, Gaetan Charbot, says one listener called to say that while he sat near a swamp with his radio, he was left alone by the mosquitoes. When he tried again without his radio he was "bitten to bits."

Scientists are skeptical. "There is no evidence to show they (male) repel the female after mating," says David Lewis, an entomologist who specializes in mosquitoes.

CIME's anti-mosquito frequencies were modeled on those broadcast by Voice of the Lizard, a Paris radio station who is also plagued by mosquitoes.

Chalbot admits that some listeners phoned to complain that they couldn't enjoy the music over the background buzzing.

On the avenues

Medium-sized companies tagged Sixth Avenue—Avenue of the Americas—as the most desirable location of three of the choicest avenues in midtown Manhattan, according to a recent survey conducted by Research & Forecasts, Inc., an independent New York-based opinion research company.

The avenues in the study—Park Avenue, Third Avenue and Avenue of the Americas—were chosen because they represent the choicest commercial real estate sites in midtown Manhattan, with the highest rentals.

The survey sought to find out how the best buildings were perceived by their corporate tenants by evaluating and comparing the performance of office buildings in midtown Manhattan locations that have a high concentration of medium-sized companies.

The survey showed that Avenue of the Americas, anchored by Rockefeller Center, has the most outstanding performance record. The report showed that the buildings on this avenue, housing the giants of American industry and the leaders of knowledge/information, have a history of stability and a record of the greatest tenant loyalty to location. These tenants are said to be interested in performance more than image because they create their own aura of power and prestige.

The report showed that the prestige of the name "Park Avenue" still means a lot to certain corporate tenants. Examples are foreign corporations and financial institutions where the high rental price is relatively insignificant in comparison with the importance of having a world-famous address—Park Avenue. But in terms of corporate ergonomics factors—or actual performance of a building—Park Avenue lags behind Sixth Avenue.

Presidential Citation

Group W *was the only telecommunications company among 30 firms recently awarded Presidential Citation for Private Sector Initiatives. Above, closeup of the award; below, Group W chairman and CEO Daniel L. Ritchie and President Ronald Reagan.*

"'**ENTERTAINMENT TONIGHT**' IS A WONDER TO BEHOLD because . . . it is a perfect blend of form and function . . . 'ET' reporters (have) backgrounds in broadcast journalism (which) are about as solid as they come."

WALL STREET JOURNAL, Martha Bayles

". . . the hottest, and certainly the fastest-paced syndicated show on television."

TIME MAGAZINE

'. . . the show has become such an important component in the way the industry is covered by press and TV that it would now be difficult to imagine its absence."

LOS ANGELES HERALD EXAMINER, David Gritten

"'**ENTERTAINMENT TONIGHT**' is one of the all-time TV success stories, that has revolutionized the TV syndication business and proved that expensive, original, non-network programming can be profitable to everyone."

KNIGHT-RIDDER SYNDICATE, Ron Miller

ENDU

After as many as <u>15 sweeps</u>, "The People's Court" still dominates its competition while boosting its own record-breaking performance.

And "Court" continues to hold the title as syndication's #1 local news lead-in.

MARKET	STATIO
NEW YORK	WNBC
PITTSBURGH	KDKA
MINNEAPOLIS	WCCO
SEATTLE	KIRO
TAMPA	WTSP
ST. LOUIS	KSDK
KANSAS CITY	KMBC
MILWAUKEE	WTMJ
CHARLOTTE	WBTV
BUFFALO	WGRZ
SALT LAKE CITY	KUTV
GRAND RAPIDS	WZZM
MEMPHIS	WREG
ALBANY, NY	WRGB
SYRACUSE	WIXT
WICHITA-HUTCH	KAKE
ALBUQUERQUE	KOAT
CEDAR RAPIDS	KWWL
PADUCAH	WPSD
LEXINGTON	WLEX
TUCSON	KOLD

THE PEOPLE'S COURT

Some things just keep getting better!

RANCE.

TIME ERIOD	FIRST BOOK SWEEP	FIRST BOOK SHARE	MAY'85 SHARE	TIME PERIOD RANK	NUMBER OF SWEEPS	GROWTH
:30PM	NOV 83	17	20	#1	7	+ 18%
:00PM	FEB 83	26	29	#1	10	+ 12%
:00PM	NOV 84	18	25	#1	3	+ 39%
:00PM	NOV 84	17	24	#1	3	+ 41%
:30PM	NOV 82	17	25	#1	11	+ 47%
:00PM	FEB 84	23	26	#1	6	+ 13%
:30PM	NOV 84	20	22	#1	3	+ 10%
:30PM	FEB 82	27	29	#1	14	+ 7%
:30PM	NOV 84	27	29	#1	3	+ 7%
:30PM	NOV 83	17	32	#1	7	+ 88%
:00PM	NOV 82	22	35	#1	11	+ 59%
:00PM	FEB 82	23	26	#1	14	+ 13%
:00PM	MAY 82	18	36	#1	13	+100%
:30PM	FEB 83	24	28	#1	10	+ 17%
:00PM	MAY 82	22	25	#1	13	+ 14%
:30PM	NOV 83	26	29	#1	7	+ 12%
:30PM	NOV 83	17	26	#1	7	+ 53%
:30PM	JULY 82	21	27	#1	12	+ 29%
:30PM	NOV 83	22	28	#1	7	+ 27%
:00PM	NOV 82	19	31	#1	11	+ 63%
:00PM	NOV 81	17	28	#1	15	+ 65%

Source: NSI Cassandra

And there are lots more, but we couldn't afford another two page ad!!

THE PEOPLE'S COURT is a Ralph Edwards Production in association with Stu Billett Productions.

Telepictures CORPORATION

New York • Los Angeles • Chicago • Dallas • Paris • Rome • Tokyo • Toronto

Tele-scope

Fast food, restaurant ad spending up 18% in quarter

Fast food chains and restaurants, continually expanding their product lines, increased television expenditures to $203.1 million, up a solid 18 per cent from $171.5 million in the like period last year, according to the Television Bureau of Advertising calculations based on Broadcast Advertisers Reports data.

The fact that McDonald's new business growth stems from its breakfast line, and that Wendy's (see *Commercials* section) has launched a multimillion dollar campaign touting its early morning menu, will probably further ignite heavy spending in that area.

Breakdown of the revenues show that spot television accounted for $131.2 million, with the networks picking up $71.9. Growth in the category has particularly spurted during the '80s, and last year approached the billion dollar category with an expenditure of $929.8 million.

In 1980 the expenditure was $419.9 million, and has compounded annually at an average of 22 per cent. Only three categories of television advertising have passed the billion dollar mark. These are food, toiletries and automotive, according to TvB.

Two leaders. As expected, the most prodigious advertising contributors to the fast food/restaurants category, are the Number 1 and 2 fast food franchise outlets, McDonald's and Burger King, respectively. McDonald's pumped in $55.4 million during the first quarter, up 23 per cent over the like period last year, while Burger King upped its investment 21 per cent, to $24.4 million. The network-spot breakdown: McDonald's—$32.1, network $23.2, spot; Burger King—$10.6, network $13.8, spot. In third place was Wendy's, which stepped up its expenditure by 14 per cent to $17.5 million. Wendy's spot/network split is almost down the middle, with $8.74 million on network and $8.77 million on spot.

The success of the franchise operations in relation to the advertising campaigns being waged, is a fact not lost on the other franchise operations in the top 10. Pizza Hut has upped its ad expenditures 22 per cent for the quarter with a total of $13.4 million, $5.4 in network, $7.7 in spot. Of the top five advertisers, Kentucky Fried Chicken is the only franchise to post a one-digit increase in expenditures. It invested a total of $11.8 million for the first quarter, up 5 per cent from the similar period last year. The network-spot split was $6.3 to $5.4, respectively.

Big advances. Two of the largest advances in expenditures come from Taco Bell and Hardees, Numbers 6 and 7 in terms of television allocation. Taco Bell upped its outlay a whopping 67 per cent, putting all of its $8,582,900 in spot. Hardees, restaurant franchisee that just switched agencies, from Benton & Bowles to Ogilvy & Mather, put $1.8-million in network and $3.9 million in spot for a $5.7-million total and a 41 per cent increase.

Creative quest at DMB&B

Though John S. Bowen and Hal Bay, Number 1 and Number 2 executives respectively, in the soon to be merged $2.8 billion agency, D'Arcy, Masius, Benton & Bowles, hailed the move as one that "makes sense for both companies," authoritative sources see Bowen, the current B&B chairman and chief executive officer, as the big winner in the marriage that takes effect within 90 days.

Bowen, who was fast approaching mandatory retirement in accordance with the Benton & Bowles bylaws that he drafted now will head up a whole new agency.

One of the delays in the merger was reported to have been Bay's reluctance to take the Number 2 spot. The quid pro quo reportedly comes in the new corporate name, D'Arcy Masius Benton & Bowles (DMB&B), with Bowen as worldwide chairman and chief executive officer, and Bay as worldwide president and chief operating officer.

Another complication that had to be ironed out was the departure of Alvin Hampel, chairman of DMM/NY, who had been previously dismissed by Bowen when the former was creative director at Benton & Bowles, despite logging some significant advances for the shop.

Hampel himself confirmed that he would be leaving D'Arcy, and is "taking the summer to think over" his professional options.

New creative head? There was no word regarding who was to head up the creative effort of the newly merged operation, though Richard Levinson is senior vice president and creative head of Benton & Bowles, New York office. The newly merged shop is expected to recruit a creative "star" to stem the exodus of an estimated $275-million in billings ($175, B&B, $100, DMM) that the agencies have lost over the past year. A spokesman denies, however, that such a person will be hired.

Roy J. Bostock, president of B&B, will be president of DMB&B/USA, reporting, along with Peter T. W. Reesell, chief operating officer of DMM International, to become president of DMB&B International; and George J. Simko, senior vice president and group executive of B&B, to become president of DMB&B/Diversified Communications Companies, reporting to Bay.

The new company will have more than 6,000 employees located in 50 cities and 25 countries. In the United States it will have full service offices in New York, Chicago, Detroit, St. Louis, Houston, Atlanta, Minneapolis/St. Paul, San Francisco and Los Angeles. In New York and Chicago, where both shops have offices smaller operations will be absorbed into the larger groups.

The newly merged shops client list includes Anheuser-Busch, Beatrice Foods, Brown-Forman Distil-

Get 'em while they're hot: THE CASE FOR FIRST-RUN

When the competition heats up, it pays to have an edge: First-run programming.

Brand new episodes to schedule against your competition's off-network reruns. Reruns that are overexposed. Overpriced. And very risky.

Today's audiences want first-run. (In weekend access, they *demand* it.)

Today's advertisers want first-run. And first-run means solid programming prestige in today's marketplace.

Want the edge in *your* market? Talk to LBS, syndication's major source of first-run programs.

LBS AMERICA'S LEADING TELEVISION SYNDICATION NETWORK lers, General Foods, General Motors, Mars, Pillsbury, Procter & Gamble, Richardson-Vicks, the United Dairy Industry Association, the U.S. Government and Whirlpool.

The new company will control a large amount of worldwide media expenditures, giving it additional strength and leverage in the purchase of both print and broadcast media. For example, it will rank second in radio billings, third in spot television and fifth in network television. Where account conflicts exist, i.e. Brown & Forman Distillers, Entenmann Bakeries, Texaco and Schlitz Malt Liquor for B&B, versus Buckingham, Campbell, Taggart, Amoco and Anheuser Busch for DM&M, discussions are underway to resolve the matter.

In their joint statement Bowen and Bay characterized the move as a "true merger of equals who share the same values and have similar visions of the dynamic future of the advertising and communications business."

Nevertheless, both shops are regarded by the advertising community as service and marketing oriented shops. With the advertising business taking its recent creative emphasis, DMB&B will be expected to bend every effort to recruit some creative "stars" into its fold.

Lawyer ads pay off: study

Is there a real need for lawyer advertising on TV? A video presentation produced by the TvB in cooperation with the American Bar Association indicates the answer to be in the affirmative. The presentation, based on findings of the ABA's Commission on Advertising to Lawyers and the Public, was recently shown at the 1985 American Bar Association annual meeting. A year in development, the presentation, "Legal Advertising: of the People . . . by the People . . . for the People?", featured Howard Cosell as spokesman.

The presentation points out there is an underutilization of legal services and for the following reasons: many citizens consider consulting a lawyer as a last resort; many avoid using a lawyer because they feel they will be dealt with in a condescending manner; some people eschew the use of an attorney because they fear the high cost of services; some people don't know when it's appropriate to use a lawyer; and a large number of people don't know where or how to find one.

One part of the study, authorized by the ABA Commission of Advertising, "Legal Advertising: The Illinois Experiment," shows that legal advertising can change the attitudes and behavior of the viewer. A testing of 30-second TV commercial in a central Illinois market uncovered that legal advertising was met with strong public acceptance, with less than 1 of 10 respondents having anything negative to say about the concept; public attitudes can be changed positively when specific ideas are communicated rather than negative ones; and upscale households, those with incomes of $35,000 and up, significantly improved their overall response toward lawyers after viewing the sample legal advertising.

Rather to open RTNDA

Dan Rather, CBS News, has been named to open the 40th annual convention of the Radio-Television News Directors Association, set for September 11–14 in Nashville. In addition, ABC's Barbara Walters will be honored on the final day as winner of the 1985 RTNDA Paul White award. Rather will speak on September 11 at a banquet which will honor the RTNDA winners and pay tribute to the memory of CBS newsman Edward R. Murrow. RTNDA director Spence Kinard, KSL-TV Salt Lake City, is coordinating a special production of the winning entries.

Exhibition manager Eddie Barker is predicting the largest exhibition in RTNDA history. Close to 100 companies have signed, as of presstime, as exhibitors. As to the convention agenda, Peter Jennings, ABC News, will lead off as convention speaker on September 12, the first full day of business. Beginning at 3:30 that day, there will be concurrent sessions, focusing on "Presenting Radio News; Doing CHR/AOR News"; "Electronic Graphics in the Newsroom"; and "Newswriting"; and a joint management workshop—"Quality Circles."

Reading ratings. On September 13: concurrent sessions begin at 9 and end at 10:30 a.m. There are "RTNDA/NAB/NRBA Radio Workshop via satellite"; "What's Hot in Television News"; "Reading the Ratings Books"; and "Keeping the 'J' in Journalism." At 3:30: concurrent sessions are scheduled on "Radio Technology and Cellular Phones"; "So You Want to Manage a Radio Station"; "Small Market Television Promotion"; "The Other Side of the Fence—ND and GM Points of View."

On the next day, starting a 9, a joint session will be held: "How to Hire and When to Fire." And beginning at 10, concurrent sessions will be on "The Radio News Idea Exchange"; "Whose News Is It?—Electronic News Releases," while beginning at three concurrent sessions are scheduled on "Reading a Ratings Book"; "How To Make Radio News a Profit Center"; "How to Get Your Story Covered in Timbuktu and Remain Within Budget"; and "Sporting News *Is* News." In addition, a "resource center" is being planned as a meeting opportunity for women and minorities who want to learn more about professional development and advancement.

Tough year for new shows

It's going to be a tough season for new programs in primetime on the networks this fall, if McCann-Erickson's crystal ball is working correctly. In fact, the

Get 'em with thrills!

TALES FROM THE DARKSIDE

- 24 brand-new episodes for Year II starting in September, presented by LBS Communications Inc. and Tribune Broadcasting Company.
- Over 70% renewals already. Including Tribune, Westinghouse, Hearst, Capital Cities, Gaylord, Scripps-Howard, and Taft/Gulf stations.
- Diabolical half-hour tales of the unexpected, lavishly produced on film, featuring top guest stars.
- Solid 6.3 NTI rating average from September '84 premiere through February '85.
- High concentrations of Women and Men 18-49. Ranks Number One in Men, Number Seven in Women among all first-run syndicated series: Beats ET, WHEEL OF FORTUNE and LIFESTYLES, among many others. (NSI, Feb. '85 ROSP)

LBS

AMERICA'S LEADING TELEVISION SYNDICATION NETWORK

875 Third Ave., New York, NY 10022, (212) 418-3000
9220 Sunset Blvd., Suite 101-A, Los Angeles, CA 90069, (213) 859-1055
625 N. Michigan Ave., Suite 1200 Chicago, IL 60611, (312) 943-0707

LBS COMMUNICATIONS INC.

A LAUREL Production in association with Jaygee Productions ad shop is predicting that while seven new programs will achieve a 25 household share, they won't do nearly as well as the returning 28 shows in the fourth quarter. The seven predicted to come up with a 25-share level by December are ABC's *The Insiders*, *The Colbys*, and *J.G. Culver*; CBS's *Twilight Zone*; and NBC's *Hell Town*, *Amazing Stories* and *Alfred Hitchcock*.

The returning biggies will be CBS's *Dallas* and *The Cosby Show*, on NBC, with both getting a projected 38 share. ABC's *Dynasty* will follow closely with a 37, while also in the 30 plus share hit circle will be CBS's *60 Minutes*, *Falcon Crest*, *Knots Landing* and *Simon and Simon*, in addition to NBC's *Family Ties* and *A-Team*, and ABC's *Hotel*.

In the battle of the networks, M-E looks for a further closing of the gap, with CBS barely maintaining its household lead over NBC and ABC bringing up the rear.

The NBC surge is due to the network's patience, according to the agency, staying with some low-rated but critically acclaimed programs. Interestingly, points out the agency, while CBS will lead in households, NBC will have "the decided edge in every demographic segment under 50."

Commercial avoidance study

Florida State University researchers have released results of a study on the impact of new video technologies on media consumer behavior, specifically on the use of these technologies on TV commercial avoidance. The principal implication from the study, called *Technographics*, is that if individuals have the new video technologies at their fingertips, they will utilize them to avoid commercials, regardless of how favorably or unfavorably they regard TV commercials. Moreover, with remote control TV and VCR ownership projected as steadily rising, to where 80–90 per cent of all U.S. households may have both technologies by the end of the century, zapping is seen as getting much worse.

Regarding the relationship between people's attitudes toward TV advertising and the degree of their commercial avoidance, a number of findings emerge from the report:

■ When it comes to commercial avoidance with one's VCR, 75 per cent of those surveyed report they regularly fast-forward past commercials during playback. Yet, when a person's attitudes toward advertising are considered, no significant differences are found. Two-thirds of those who feel TV advertising is entertaining regularly fast-forward through commercials during playback, and an even greater share, 80 per cent of those who rarely regard TV ads as entertaining regularly zip past commercials.

■ Regarding remote control, the situation is somewhat brighter, in that, overall, 36 per cent of the remote users use them to avoid TV advertising. However, if viewers regard TV advertising as entertaining they are significantly less likely to regularly zap commercials. Forty-seven per cent of those persons who do not consider TV advertising to be entertaining regularly zap commercials as compared to only 29 per cent who believe TV advertising to be entertaining.

Other findings show that there are no significant differences when regarding TV viewers' belief that commercials are informative and believable, and that 40 per cent of viewers regularly delete commercials while simultaneously viewing a program while they are recording.

Older is richer

Americans over 50 offer an opportunity to marketers "with the vision and enterprise to meet the demands of the new old," according to *Midlife and Beyond*, a report sponsored by CBS and prepared by The Conference Board. The report points to "an $800 billion market of over-50 households that have fully half of all U.S. discretionary income. The report says that older households, including those who are retired, "have strikingly higher per capita income than the young, and that the average household income of those 50–65 is roughly $30,000 or 20 per cent higher than the national average. Even households between 65 and 75 have more income per person than those under age 45."

Even aside from income, the report asserts that the elderly are a good deal "more robust physically, and experience a longer and more vigorous old age" than many younger people realize. And despite all these often unrecognized plusses, Fabian Linden, executive director of the Conference Board's Consumer Research Center, finds that "The marketing community persists in a blinkered view of the old—a mind set of a past reality."

FTC rejects beer ban bid

The Federal Trade Commission has put its votes where its mouth was and reconfirmed its stance of doing nothing about the controversy over beer and wine commercials on TV. It voted 4–1 not to initiate a rule making procedure on the issue.

FTC chairman James Miller had insisted in a series of hearings earlier this year that his agency would play no role in the issue, but the vote hardened that stance and backed it with the conclusion that the FTC would find "no reliable basis" for concluding that "alcohol advertising significantly affects alcohol abuse."

The staff report on which the vote was based also gave a boost to broadcaster contentions that the purpose of beer ads is to gain a greater share of the market, not to increase the market. The report said there was "little if any evidence" to support assertions that such ads "deceptively or unfairly result in alcohol abuse or even increase consumption."

Get 'em with laughs!

IT'S A LIVING

- It's that high-spirited comedy series about life, love and labor in a posh restaurant.
- Over 65% of the nation already cleared—including ABC, NBC, Taft, Storer, KKR, Hubbard, Tribune, and McGraw-Hill stations—and 9 of the Top 10 markets
- On ABC network, the half-hour series topped every other major network sitcom in Young Women and Young Men audience comp. (NTI 1980-81)
- In its syndication test last summer, it was the 7th Ranked syndicated sitcom in America, in DMA Household average rating. (July, '84 NSI ROSP)
- All new episodes for September start.

LBS AMERICA'S LEADING TELEVISION SYNDICATION NETWORK

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

LBS COMMUNICATIONS INC.

A Witt-Thomas Production

TV Business Barometer

May spot TV up modestly: 7.0%

Spot television time sales did slightly better in May than they did in April, rising 7.0 per cent to $512.0 million from May '84's $478.5 million.

In April, the increase was 4.4 per cent over the previous year.

Both May of '84 and '85 were four week Standard Billing Months (SBMs), so the year-to-year data for the month are essentially comparable. However, while both the '84 and '85 SBMs are four weeks each, May has 31 days and, as noted in previous *Business Barometer* reports, most reporting stations calculate their year-to-year changes on a calendar month basis. The number reporting on an SBM basis, while a minority, can have some effect on the overall figures.

The SBM problem also figures in the year-to-date data. This is because the Standard Broadcast Calendar (SBC) for 1985 shows 21 weeks through May. But the SBC for 1984 through May is 22 weeks. Thus, the increase through the first five months is actually a little higher than the calculations show (on a comparable basis).

The five-month figures as reported show a total of $2,017.5 million for 21 weeks of '85, and $1,906.1 million for 22 weeks of '84. This is equivalent to a 5.8 per cent increase.

If an additional week were added to the '85 figures using an average weekly '85 spot time-sales-to-date/figure—the additional revenue would amount to nearly $100 million and the increase for the five months would then amount to about 10 per cent instead of less than 6 per cent.

This anomaly will essentially end with the June figures since the SBM for June, '85, is five weeks and the SBM for June '84, is four weeks. Thus, both years will contain a Standard Broadcast Calendar of 26 weeks for the first half.

One minor anomaly remains since June of '84 ended on the 24th—on an SBM basis—while June of '85 ended on the actual last day of the month. This is because the SBM ends—by rule—on the last Sunday of the month.

For the second month in a row, the larger stations showed the biggest percentage increase and the smaller stations the smallest.

Second big month

May was the second month ever to hit more than $500 million in spot. The first month was the month before, when spot billings were $507 million.

So far this year, only one month has achieved double-digit percentage increases in spot time sales, as reported by the *Barometer* sample. That was March, a five-week SBM vs. four weeks for March, '84. With June a five-weeker vs. four last year, another double digit may be in the works.

National spot **+7.0%**

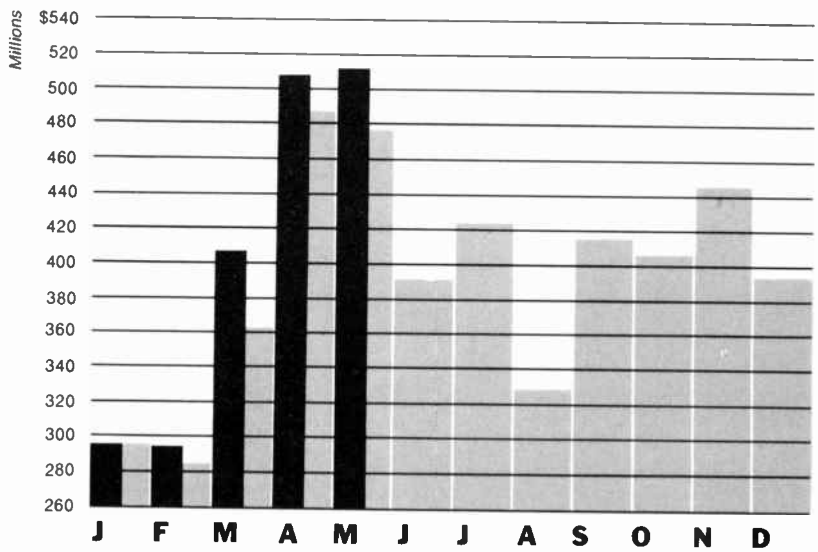
(*millions*)

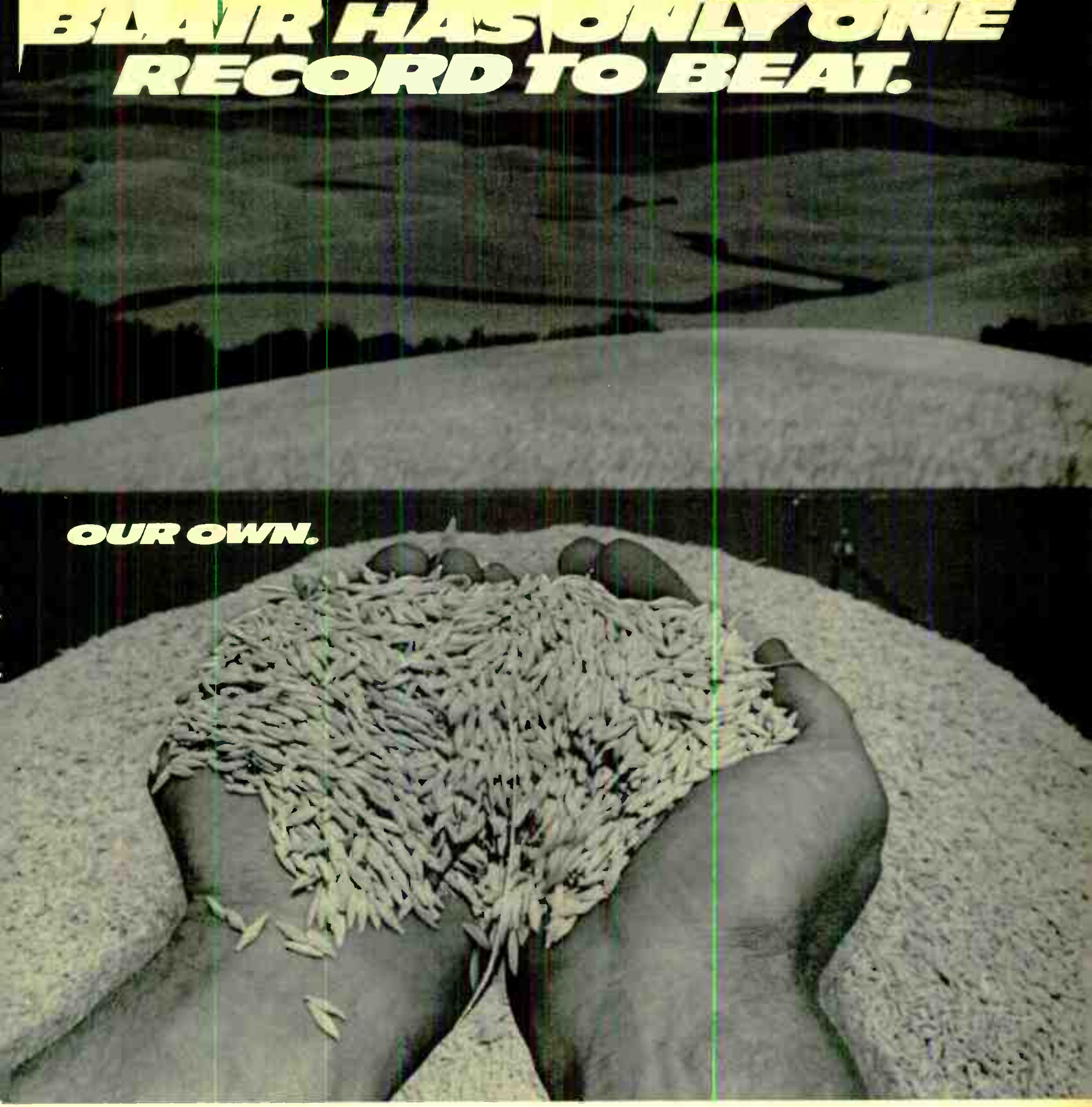
1984: $478.5 **1985: $512.0**

Changes by annual station revenue

Under $7 million	+0.4%
$7–15 million	+7.4%
$15 million up	+8.6%

May





Talking about winning doesn't count. In agri-marketing, you have to produce to win. Only Blair has a computer system to access vital Census of Agriculture data. And computer programs to count hogs per county or sorghum and soybeans per acre. We count the number of farms in an ADI or DMA—and relate them to a station's coverage pattern. Then Blair puts together the kind of customized spot television plans agri-marketers need. These numbers add up to spot TV budgets for 80 client stations whose signals reach some of the richest farm counties in the country. Call Agri-marketing Director Dick Giltner at (312) 787-2300. He'll supply the seeds to grow successful TV advertising. Blair agri-marketing specialists are some of the people we count on to win.

At Blair, we share a tradition with our clients... Winning.

BLAIR. ONLY BLAIR.

Television

Radio Report

Torbet foresees good third quarter for spot billings

Torbet Radio executive vice president Mike Bellantoni is optimistic for a third quarter that he says looks like it could bring a 7 to 9 per cent increase over last year. As usual, summer radio business is heavy with youth oriented accounts such as soft drinks, movies, fast food restaurants and convenience store chains, but there's also more action out of the airlines, now that United's strike is settled and the skies are friendlier again.

Bellantoni cities American Airlines, Eastern, Republic, Western Airlines, Piedmont and Muse Airlines in sunbelt markets among United's competitors expected to add to a bright third quarter outlook for spot. Also active should be tourism accounts such as theme parks, various state visitors bureaus and a raft of such retail chains as Alpha Beta and Lucky/Gemco stores in the West, Herman Sporting Goods, Thom McAn shoe stores, Sears, Aaron Rents, Bradlee's, T. J. Maxx, K-Mart and Servistar Hardware.

Auto holds back. However, as in network radio (see *Radio Barometer*, page 34) foot dragging by the domestic auto makers out of Detroit continues to hold back spot, too, from achieving its full third quarter potential. On the other hand, dealers for such imports as Toyota and Nissan are still planning third quarter radio activity. And despite the gloomy headlines about the computer industry, a few radio advertisers in this category, notably IBM for its personal computers, Apple for various retail promotions, and The Computer Depot retail chain out of Minneapolis, are still hanging in there.

By major office, Torbet/New York reported third quarter off to a slow start, but Chicago reports some new radio users like Eckridge Meats and Bekins Moving and Storage, and Los Angeles is expecting a 10 to 12 per cent increase over third quarter '84.

Radio Marti 'well-received'

It is not often that a speaker at a White House briefing for an industry will meet with someone with more knowledge than he about an issue, but Charles Wick, head of the U.S. Information Agency, encountered George Hyde of the Susquehanna stations in Miami, when members of the board of directors of the National Association of Broadcasters attended a briefing by Vice President George Bush, a Treasury official and Wick.

Hyde notes that Radio Marti, the Voice of America broadcast aimed at Cuba, had been on the air for nearly a month and the Cubans had not retaliated by jamming the signal or interfering with U.S. commercial broadcast signals. His station's own interviews with recent Cuban exiles in Miami were among widespread press reports that the Cubans were receiving Radio Marti without enthusiasm.

"All of the information that we get," Wick says, "is that it is being extremely well received. Some of the people who came from Cuba, similar to those you interviewed in some instances hadn't even heard that we landed on the moon in 1969." He notes the story may be apocryphal, but adds "so the way we evaluate is it's very positive."

As for the lack of retaliation by Premier Fidel Castro, Wick says, "I think that President Reagan may have a very forceful posture about the fact that we are broadcasting legally, not illegally, and retaliation by Mr. Castro against American radio stations would be illegal."

Home centers use more radio

Lumber and home center stores boosted their radio advertising from $74 million in 1980 to an estimated $261.6 million last year, up 253.5 per cent, reports Kenneth J. Costa, vice president for marketing information at the Radio Advertising Bureau. Costa also says hardware/building and paint advertisers using national radio increased ad investments 59.8 per cent over the same four year period, from $11.2 million in 1980 to $17.9 million in 1984, according to Radio Expenditure Reports. The figures on lumber and home center stores are derived from data from the U.S. Department of Commerce, *Building Supply and Home Centers Magazine*, and from Robert Coen, senior vice president, director of forecasting at McCann-Erickson. Costa estimates that lumber and home center stores invest 14.6 per cent of their ad budgets on radio, 3.4 per cent more than the national retail average of 11.2 per cent. He says advertising in all media by these stores represents 3.6 per cent of sales, and that retail outlets in this category enjoyed 1984 sales of $49.8 billion and account for 2.8 per cent of the local revenues of a typical radio station.

More markets report

The Radio Advertising Bureau's recently expanded composite billings pool, based on 54 instead of only 16 reporting markets, has resulted in an upward revision of reported billing figures. The 54 metro areas represent 35 per cent of the U.S. population, against only 23 per cent represented by the original 16 metro areas. Based on the new system, Robert Galen, RAB senior vice president for research, reports that year to date, local radio stations are booking 17.4 per cent more national spot dollars in 1985 than first quarter 1984. For March alone, national spot billings on local stations were up 10.3 per cent over last March.

Similarly, local radio ad revenues increased 19.3 per cent for first quarter this year over the same 1984 period, and local revenues this March were up 6 per cent over last March. Galen says the figures are adjusted to compare months of unequal length.

Under RAB's new reporting system, three individual sources supply data, reported voluntarily by stations on condition that specific station-by-station data will not be divulged. The accounting firm of Hungerford & Co. of Grand Rapids reports on eight eastern and 12 midwestern markets. Miller, Kaplan, Arase & Co., North Hollywood, Calif., reports on seven southern and 18 western markets, and RAB's research staff compiles billing data for nine other markets.

Galen observes that with 38 more markets now supplying information, RAB is in a better position to track local radio trends "and provide useful financial insights into radio revenue performance on a market-by-market basis." It's data, he points out, that "has been very hard to come by since the FCC dropped its financial reporting requirements in 1980."

Spot rise in May: 8.6%

Spot radio continued its up-and-down pattern in May with an 8.6 per cent increase in billings compared with the previous year. Volume was $84,199,300, as against $77,543,800 in May, '84.

The latest data, collected by Larchmont, N.Y.-based Radio Expenditure Reports from the major radio reps, compares with a 5.0 per cent increase in April, an 11.6 per cent increase in March, a 4.8 per cent rise in February and a 17.1 per cent climb in January. In short, the month-by-month comparisons with the previous year show a change in direction (up or down) each time. The comparisons are based on adjusted '84 figures to take into account differences in the length of the Standard Billing Month (SBM) from year to year.

Thus, for the year-to-date through May, the actual billings rose 5.3 per cent, but the adjusted billings were up 10.3 per cent. This is because the Standard Broadcast Calendar (SBC) through May, '84, was 22 weeks, though the SBC through May, '85, was 21 weeks. However, May of both '84 and '85 contained four-week SBMs.

Cumulative spot billings for the first five months were $324,808,800, while the five-month figure for '84 came to $308,475,200. But the adjustment reduced the '84 figure to $294,453,600.

By market size. The smaller markets—those below the 50th in rank—performed best in May, with an increase of 14.7 per cent to $20,777,300. The top 10 markets were about at par, with an 8.9 per cent jump to $33,003,300. Weakest of the four market-size groups were the 11th-to-25th, where spot radio billings went up only 3.7 per cent to $18,157,200. As for 26th-to-50th markets, their billings rose 5.7 per cent to $12,261,500.

For the five-month totals, RER shows both actual and adjusted figures for the four market groups. The adjusted percentage-increase figures do not exhibit wide differences, the range spanning from 7.3 to 12.3 per cent.

The four market groups exhibited the following year-to-year increases: top 10, up 7.2 per cent to $126,716,400, with adjusted billings up 12.3 per cent; 11th-to-25th markets, up 2.5 per cent to $68,627,000, while adjusted billings rose 7.4 per cent; 26th-to-50th markets, up 2.4 per cent to $48,421,600, with adjusted billings up 7.3 per cent; 51-plus markets, up 6.7 per cent to $81,043,800, with the adjusted increase coming to 11.7 per cent.

Spot radio's up and down pattern thus far in '85 is markedly different from the '84 experience, when every month of the first quarter was weak, while every month of the second quarter was strong. The first quarter '84 increase was 4.4 per cent, and the second quarter, 22.7 per cent.

Wrangler co-op promotion

A recent co-op sweepstakes promotion by the Wrangler apparel division of Blue Bell Inc. with 20 radio stations succeeded in generating business from some small retailers who wouldn't ordinarily be on the air, according to Sanford Maizel, vice president and general manager of Crimmins Co-op Marketing Service, which worked with Wrangler on the project.

As previously reported (*Retail Report*, June 10) the four-week promotion, which offered as a grand prize, a 17-day tour of the Himalayas, along with first prizes of complete camping sets, was presented to one radio station in each of 20 markets, the station being chosen for its ability to reach 12–24 year-old listeners. Wrangler provided commercials, promotional materials and an account list and offered 100 per cent co-op support out of the retailers' co-op accrual. It was up to the stations to then contact the stores.

Some of the results, according to Maizel: "In Lafayette, La., the station [KTBY(FM)] grossed between $11,000 and $12,000 with 16 different stores. Individual stores' participation was as little as $82, so they were really getting down to the mom and pop level.

"In Billings, Mont., they [KYYA(FM)] did $15,000-plus with one store contributing only $138.40. In Fresno, [KMEX(FM)] nine stores participated, and the biggest commitment was $600.

"In McAllen, Texas, they [KBFM(FM)] did $21,900; they expected to do $5,000. North Platte, Neb. [KELN(FM)] did $15,706."

NAB boosts AM stereo

The campaign to put AM stereo on the map continues apace. The National Association of Broadcasters Joint Board of Directors recently passed a resolution designed to encourage the propagation of more AM stereo outlets, a number, incidentally, that has been holding over the past six months at a nationwide maximum of 500 stations broadcasting in the medium. The resolution, passed at the Association's semiannual meeting.

Radio Business Barometer

Sales slow in May billings up 7.4%

Network radio revenues for 10 webs were up 7.4 per cent in May to $31,554,580, according to figures collected by Ernst & Whinney for the Radio Network Association. That followed a 10.8 per cent increase in April, with billings of $25,677,811. Both months were below the average monthly growth levels of the first quarter.

Three of the four networks sales centers were up considerably in May, but New York, which usually represents well over half of radio network sales, was down slightly, pulling down the overall level. New York pulled in $18.6 million in May, down 1.9 per cent. Chicago was up 18.0 per cent to $9.1 million, Detroit rose 25.0 per cent to $2.1 million and Los Angeles climbed 68.6 per cent to $1.8 million.

With April coming in below the first quarter's 16.6 per cent increase and May showing up below April, network sales executives point out that the disappointing percentage performance in May is based on a very strong May last year, so in terms of dollar volume, May wasn't as bad as it appears on paper.

Kevin Cox, vice president, sales for the NBC Radio Networks, notes that the missing link lately has been the lack of automotive dollars. Last May, he recalls, Chrysler and Dodge were on network radio with big schedules to promote their 8.8 per cent interest financing.

At the Mutual Radio Network, vice president sales, Neal Weed, describes June as "an exceptionally good month, and reports that July started well, but recently slowed down to almost a complete halt." Even so, says Weed, Mutual is still "up considerably, year-to-date, ahead of last year, and we're looking for a healthy fourth quarter, based on our improved position in RADAR and the recent addition of strong affiliates in a number of major markets."

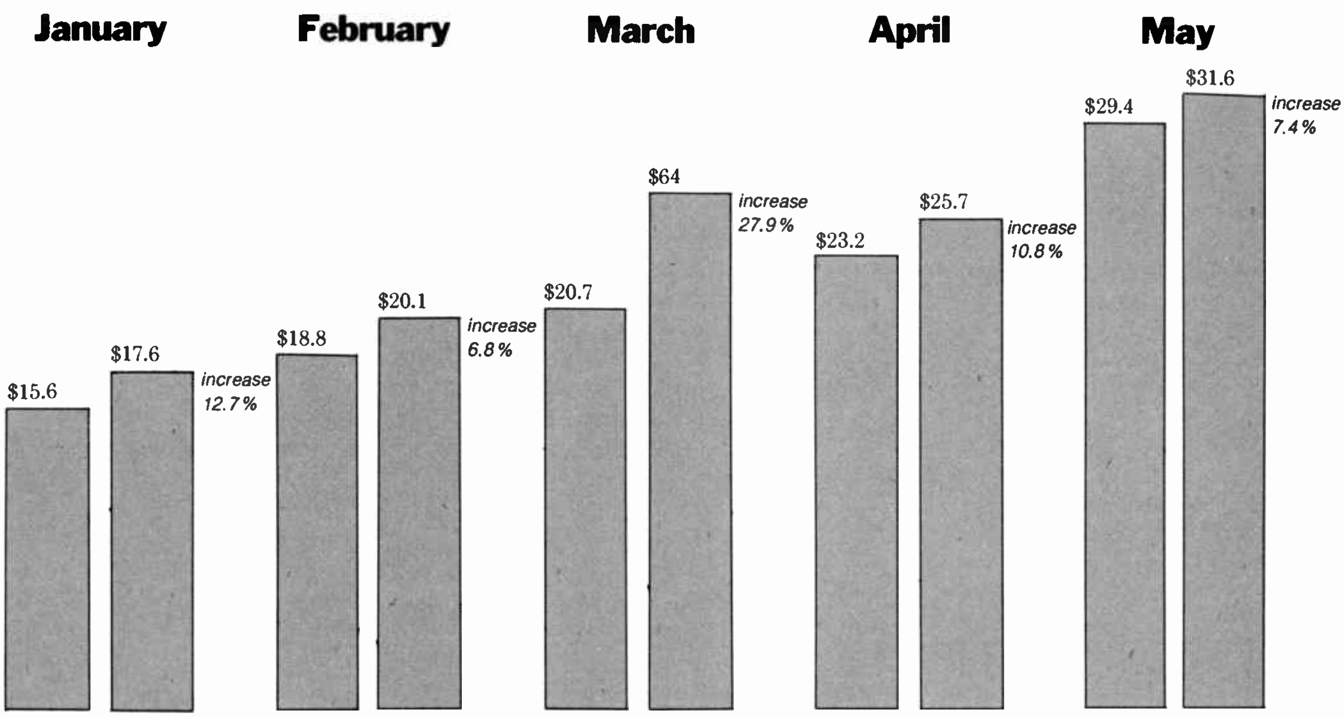
Lou Severine, vice president, director of sales for the ABC Radio Networks, reports that second quarter "came in well enough to set all kinds of records, including record profits." Since, then he says, with the startup of upfront buying in television, the radio marketplace has slowed down. But even so, Severine says third quarter still looks like it will be on target and that ABC is "already up to 88 per cent of plan, this early into third quarter." That, he says, puts ABC about 13 per cent ahead of where it was for third quarter this time last year, and, so far, 13 per cent for the year.

Concert specials

Steve Youlios, vice president, sales, for the CBS Radio Networks expects June to show a 5 per cent gain, which would bring second quarter to a close in the 4 to 6 per cent range. Youlios says the summer looks good, with RadioRadio "doing well" with its *Spirit of Summer*.

He notes that "events programming" like long form and weekend concert specials do very well in bringing in youth-oriented products like sun tan creams and Hershey chocolate.

Network *(millions $)*



Source: Radio Network Association. Percentage increases rounded.

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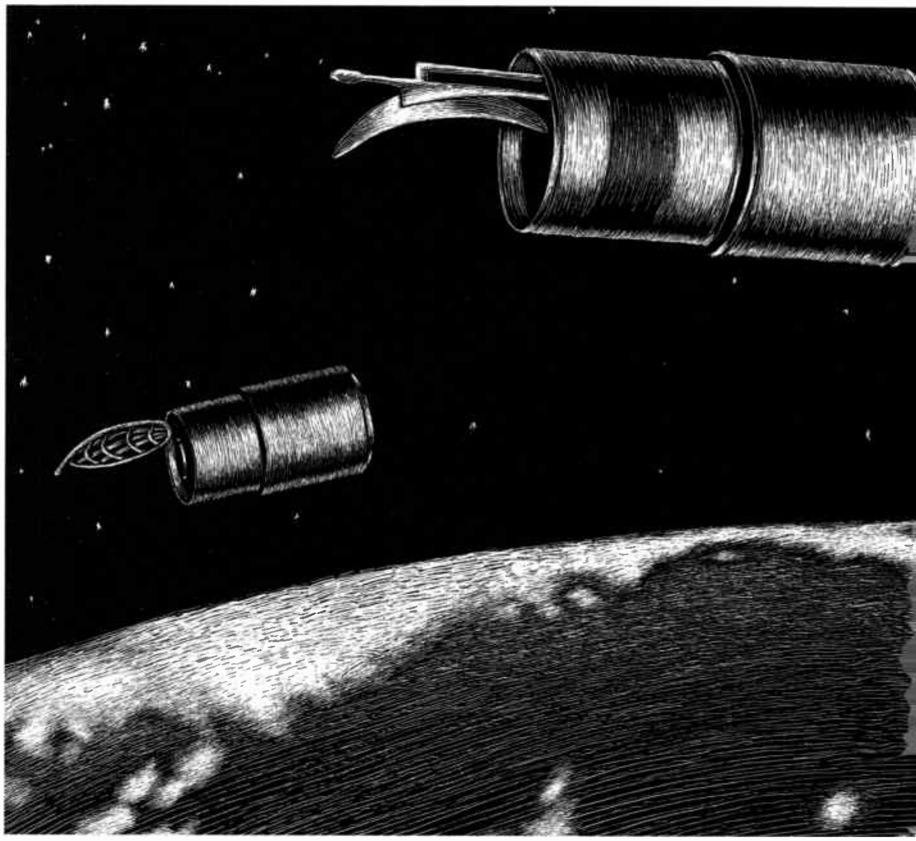

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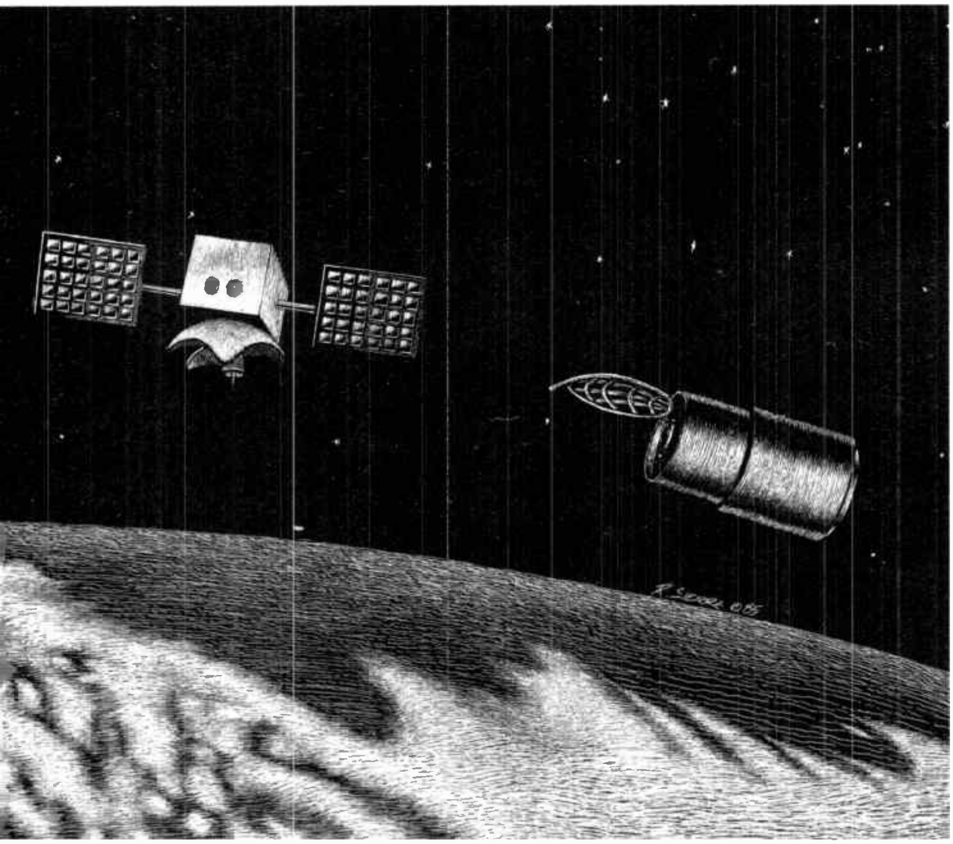

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Television/RadioAge
July 8, 1985

Five financial analysts discuss reasons for acquisition fever, record prices

Merger mania: What's behind all the sudden activity?

The broadcasting industry seems to be exploding. Television stations are selling at record prices. Mergers and/or takeovers are occurring with alarming frequency. And the proliferation of new independent TV stations appears to be never-ending.

Is all this healthy, and when, if ever, will it stop?

In an attempt to come up with the answers to these and other questions about the fast-changing nature of the broadcasting/entertainment business, TV/RADIO AGE assembled five financial analysts for a roundtable discussion moderated by Mel Goldberg, president of Melvin A. Goldberg Inc./Communications (MAGI.C), a consulting and research service to the broadcasting industry, and of Tech Trends, a research service measuring the impact of consumer electronics and telecommunications in the home.

The analysts were: Joseph Fuchs, vice president, Kidder Peabody; Ellen Berland Gibbs, president, Communications Resources, Inc.; Alan Griffith, senior vice president, Bank of New York; Tony Hoffman, director of corporate finance, Cralin & Co.; and William Suter, vice president, Merrill Lynch, Pierce, Fenner & Smith.

They were quick to point out that what is happening in the broadcasting industry is being paralleled elsewhere—most notably in the oil business where, for instance, T. Boone Pickens has gone after several firms and bid up their prices.

But the broadcasting industry, it is explained, is ripe for such activity for some other reasons. Among them:

- The threat of the new technologies, such as cable, STV, etc., has failed to weaken the traditional broadcasting business, as was once expected.
- The deregulatory atmosphere in Washington has encouraged would-be suitors.

Following is the dialog that ensued:

The broadcasting industry, it is pointed out, has proven to be a formidable competitor for new technologies such as cable and STV.

Griffith Fuchs

Gibbs Goldberg

Communications Resources' Ellen Berland Gibbs

Goldberg: *Although some of you have been involved in broadcasting and the entertainment industry for some time, right now it seems to be going through a sudden explosion. Everybody has suddenly discovered it's a business and it's a helluva business. It makes a lot of money but more than that, it's something that can be taken over, merged, etc. Why? Why this sudden interest, why this sudden explosion? Tony?*

Hoffman: There are a number of contributing factors. One is that the commercial broadcast industry has been under a bit of a cloud for the last several years, with the impending increased saturation of cable television. Everyone has been worried about whether the audiences for commercial television are going to be preserved. At this point in time the commercial broadcasters are quite comfortable with the competition with cable, feel that most of the damage has been done, and that business is pretty much as usual.

The second thing which has happened is the deregulation of the industry by the FCC to the extent that those who were afraid to enter the industry now feel it's an open season on existing broadcast companies. Another particularly significant change has been in the area of multiple ownership rules, where it's possible for broadcasters to own more than the original limit of seven stations. And finally, the advances in technology, particularly in the area of satellite distribution, make it possible to form serious ad hoc networks. The acquisition of a block of TV stations is seen as creating the necessary critical mass to do that.

Gibbs: I would add one other thing, too. I think that the acquisition activity has fed on itself. Certainly the fact that CapCities made the bid for ABC, prompted Turner to act on CBS, although there's no doubt that Turner has been interested in acquiring a network for some time. I think there have been a number of people who have stepped into the broadcasting arena now who might not have done so, except that there's now a kind of frenzy of activity. I think you've seen this in other industries—the oil industry, for example, where T. Boone Pickens has pursued a number of oil companies and bid up their prices. The same is happening now in broadcasting. Some of us are beginning to wonder, when does this all stop? We've seen this happen in other industries; this kind of activity just doesn't go on forever. I don't know what will cause it to stop here, but logic tells us that it will not go on forever.

Fuchs: I think it's very much in the broad context of the issue of value. That exists not only in broadcasting stocks but in other industries.

Gibbs: There's a lot of heated merger activity.

Fuchs: Exactly. Merger mania is going on not only in this industry but in other sectors, and I think also that points directly at the valuation that the stock market is willing to put on a property vs. what businessmen are willing to value them at. So we have a value gap that's being exploited here that has been made more exploitable by some of the things that have already been mentioned.

I think the other side of the coin is the ready availability of financing. In a lower interest rate environment and in a less constrained financial environment, everything from the willingness of the banks to lend much more aggressively and under more favorable terms, all the way to the junk bond business, which is a phenomenon which is on the table today that we didn't deal with five and six years ago.

Suter: Cable television and normal over-the-air television have performed very well in the face of new potential competition such as MDS and DBS and low power television and STV. Some of those have come and practically gone already, so people realize they are not going to have a tremendous negative impact on the profitability of the normal broadcast marketplace and its players—making their franchise more valuable.

Gibbs: I'd like to add one thing. Three or four years ago, people were always asking, what will happen to over-the-air broadcasting in the face of cable, DBS, etc.? If I had started my business then, I know I would have been asked to pursue these issues. Now, the only question I hear from broadcasting clients is, "Have you heard of a station for sale that I haven't heard of?" That basically tells me a lot about the tenor of what's going on in the broadcasting business. People aren't worried about the new media anymore; they just want to own more stations.

Goldberg: *But Tony brought out a very interesting point. He said that in terms of the groups, that they can merge and form their own, in effect, syndication outlets, and yet, Capital Cities acquires ABC and is going to have a network which is going to have much more competition now. What do you think about that?*

Suter: An ad hoc network is far different from one of the existing networks. It would take a tremendous amount of money and patience and time to mount a full-fledged network. Ad hoc represents a type of cherrypicking.

Goldberg: *Cherrypicking. MCI did that with AT&T. At what point does the cherrypicking take away enough of the cream of the process so that it then isn't* *as good a value?*

Suter: I think it's a long way away, and, combining that with what Capital Cities management can see in terms of the potential in the ABC stations, as well as the network, they are making a good buy.

Gibbs: I think many of those people that Tony was talking about are putting ad hoc networks together primarily for independents. They are not necessarily trying to break apart the network-affiliate relationship on a continuing basis.

Goldberg: *Well, now, let's take that another step. If Washington Post expands its group, and Taft expands its groups, and Tribune company expands its group, and Times Mirror, which is an affiliate, expands its group, and you have all these various expansions, some of which are independent and some not, how will that then affect network operations? Particularly in terms of the ABC-Cap Cities thing.*

Suter: The networks still have the advantage of the same time slot so they can promote their programs all across the country and receive tremendous media hype. It's not going to be the same thing for the ad hoc "networks."

Goldberg: *They'll lose on preemptions or won't they?*

Gibbs: Network audience shares have been eroding for a variety of reasons in recent years. I think that ad hoc networks will be yet another contributing factor but not the sole reason for this decline. With their earth stations in place, among other things, many stations are exercising more programming autonomy than ever before. That trend has been going on for sometime now. The ad hoc networks may just be an accelerating factor in this process, but I don't really think their existence makes the situation very different from what had already been going on.

Fuchs: It may be possible to make a case that the audience fractionalization caused by the independent stations and the ad hoc networks may ultimately work to the benefit of the networks by driving the relationship between the affiliates and the networks closer together, because their economic interests are obviously closely linked. There's been a fractionalization of those interests, and I think a competitive environment may very well drive them together again because you're dealing with big groups who are well-managed and strategically understand exactly what is going to be happening over the next five to seven years. They want to stabilize their operating environment, not try to fractionalize it further.

Merrill Lynch's William Suter

Kidder Peabody's Joseph Fuchs

Hoffman: Looking at this globally, Mel, the way you were looking at it, the question of who's going to be hurt relates less to broadcasters than the producers. The existing networks are not going to be hurt by the formation of the ad hoc networks. The ad hoc networks are going to diminish the profits of the production community. Specifically, they will lose profits that they would have made on series which were produced and paid for by the networks, which are now being syndicated to independent TV stations, creating windfall profits for a small group of producers.

Ad hoc networks can commission, to be produced, their own first-run syndicated series product, run it on their own stations and amortize half or more of the cost of producing it against their owned and operated stations. This could not only produce solid audiences for their stations but allows a profit from syndicating the series to stations in markets where they don't operate.

Goldberg: *Do you think then that the production community will go into the station business with Murdoch leading the way?*

Hoffman: I don't know whether many of them will go into the station business, but I think they're certainly going to have to be concerned about the potential loss of customers for off-network series more than they've ever been before, because when you have a Tribune Company or you have a Murdoch group of stations as an economic unit, as Metromedia has been proving for years, one buy can in many cases account for 40 per cent of the total per episode cost or revenues from that series. That's a big one-stop sale.

Griffith: I'm not really an expert in this area, but I hear the rationalization, a lot of it. It always leads to a justification of the purchase price . . . the market value . . . which is really the crux of this discussion. I think this whole network concept that has been brought forward as part of the justification of the purchase price, the economic part of the purchase price. I also maintain, and have for many years, that the purchase price, a lot of it, includes an emotional part. What we do in the financial community is to try and separate the economic from the emotional part of the purchase price.

But this network concept where they say, we have 35 or 40 per cent of the TV households already sold or they've got 21 per cent already sold, I worry about that because we all know how difficult and how competitive the programming game is. If you have a situation where you have three major independent stations in a top market, and we were alluding to this before, and a particular station has to buy the programming from an affiliate or from a subsidiary, this can lead to a ratings disaster.

Goldberg: *With lousy programming.*

Suter: That's right. The stations try to justify it in terms of the programming being produced by their parent company.

It's very hard sometimes to say no. This also means, to avoid preemptions and losing audiences, the networks have to do more selective programming, more original programming and better programming.

Fuchs: I think there's another side to it, too. The software manufacturers have always had great difficulty reinvesting their surplus cash flow. The philosophical synergies that exist between software creation and ownership of stations is real, and people feel comfortable with it; so it is a very attractive place for them to park, if you will, money, at very good rates of return in areas that make sense. And I think that's a very important driving force to the merger and acquisition activity going on at that end.

Gibbs: Ultimately, too, given the prices that they're paying, I think most companies acquiring broadcast properties want to have successful stations. Even if they own a show, and the show proves to be terrible, I don't think they're going to be wedded to it. We've seen that happen in the past with the network produced shows i.e., before they had a production limit put on them. The networks did not stay with those shows any longer than they had to if those shows did not "pull." So I don't know that we're going to run into that problem . . .

Fuchs: Hard to imagine the *Chicago Tribune* spending $510 million and putting a bum show in access time.

Goldberg: *But you're bringing up some very interesting points. They're paying a lot of money, they're expecting to get a return on their investment, they're increasing debt enormously . . .*

Gibbs: Allan is grinning.

Goldberg: *Are they assuming also that the advertisers are going to be there with ever-increasing rates and expenditures, or will the advertisers go elsewhere as well? What are the potential problems or possible impacts? Allan?*

Griffith: I'll respond to that because I think this is the real crux of the issue now. The analysis that goes into the justification of purchase price, I think you know, is what we're all living with. I think a lot of the things that have been touched on here go into it—whether it's the "media mania" or whether it's the "value gap" type of thing. The result is, we've seen a tremendous escalation in purchase price and a tremendous escalation of ways to justify that purchase price.

I'm not saying that in a negative or in a positive way, but where a purchaser used to step off a multiple of last year's operating results—they are now using next year's projected results, adjusted to reflect a percentage of revenue growth and operating efficiency never achieved before in the history of the station. Maybe there's nothing wrong with that but obviously there's a limited supply and demand here. I think one of the real rationalizations that run through the whole community that is interested in these properties is it's a unique opportunity that's not going to present itself again in the forseeable future. I am paying $200 for this asset, and I know from my return on investment analysis I only should be paying $125. However, I have to pay $200 or I am not going to be a player. I think so many of the major companies have gone to the altar and have come back empty handed, that they are saying, 'dammit, we're going to be a player this time.'

Cralin's Tony Hoffman

Gibbs: And yet, what's happened with the elimination of the anti-trafficking rules is that, in fact, many more stations have come on the market than one would have thought. SFN owned that station in Orlando only about a year and just sold it to Cox.

Metromedia and Kohlberg, Kravis have also sold properties after owning them for very brief periods of time. What's happened is that there's been a tremendous increase in traffic.

Griffith: I would agree with that. I think everybody talks about it, and it is important. I would say that the trafficking potential has not gotten the attention it should have.

Gibbs: I agree with that. And I wonder further what effect it has on operations. When you have investor groups owning and operating stations as opposed to experienced broadcasters.

I'm not saying that I have evidence of any wrongdoing, but I can't help thinking that when you have somebody owning a station who just means to hold onto it for two or three years and then turn around and sell it, he may well have a different orientation in terms of programming, personnel, news coverage, community commitment—all the things that make a station viable and important in its market. I can't help but think that these people have got to have a different approach to these issues, because their goals are different. Unlike a

Bank of New York's Alan Griffith

Capital Cities, who always bought properties to keep, the KKRs of the world just come in, stay awhile and leave. I don't mean to single out one entity, but they've been the most active in this group. Their attitudes, it seems to me, just have to be different.

Griffith: I'd just like to add on to that. I couldn't agree with Ellen more. I think that a problem that a lender has, wearing my lender hat, is when someone is coming in with that as their operating philosophy, as their business plan, which until recently was very unique and different in this industry, there is a big risk. They're borrowing money not against realistically projected operating results that show their ability to pay back the debt that's been incurred, but they're borrowing money against—it's almost an asset play-against an anticipated market appreciation in the value of the property; and when that doesn't materialize, that's when you have a problem.

Gibbs: Is that a question of the greater fool theory then?

Griffith: Yes, no question.

Fuchs: But in a way you're asking about the confusion between economic self-interest and the public interest responsibility of the licensee. Is that what you're trying to get at?

Goldberg: *Well, that's a separate issue, and we can get to that in a moment. Let's keep it at the economic. Tony?*

Hoffman: We've had a couple of instances recently where the prices have gotten out of hand relative to what the future financial prospects are for those stations. An example is the WCVB acquisition by Hearst. That station is an ABC affiliate, which was at its zenith last year in terms of audience and market share, thanks in part to ABC's relative position. WCVB is going to have problems maintaining that share.

It's my contention that you can't run a network affiliated TV station in Boston at a 50 per cent margin; the market doesn't allow it. It's just too expensive to operate a station in that market. As Allan said, you've got to be able to recognize a market where you can operate at high margins, like Houston, Texas. Some markets have such intense competition for on-air personnel and programming that it is not possible to operate competitively with low operating costs. Boston is a high cost market, and it will be difficult for Hearst to produce an adequate rate of return on a $450 million purchase price.

Gibbs: But Tony, Hearst is not public. How will we know?

Hoffman: We won't.

Fuchs: But that brings up another question ... what's the difference between a Hearst owning it and a KKR owning it? There isn't much difference.

Goldberg: *Well, I don't know Martin Lipton, of Wachtel Lipton Rosen and Katz, and he doesn't get into this area particularly, but he says—and he was quoted in the 'Wall Street Journal' back in April—takeovers tend to favor the present at the expense of the future. Is this what you're really saying in regard to the broadcast industry? And the prices they're paying?*

Suter: I don't think that's true in the ABC/Capital Cities deal. In other deals it may be true; it depends on each deal. I don't think you can view it that way (although) emotion does play a part in some deals, as Alan said. I think you look at each deal on its own merits.

Gibbs: I would say this is probably true of the deals we're alluding to here as being "rich" deals. Judging from the prices paid in these cases, I think it is fair to say that some of these people are ignoring the fact that we could have a recession again that would affect the broadcasting economy, or that interest rates could spike again as they did in 1980 and 1981, making it difficult to service their debt or that any other contingencies could arise. To that extent, I would say that Mr. Lipton's statement is probably accurate.

Hoffman: One great truth concerning acquisitions in the industry is that the purchase price of a TV station is not based on the cash flow that it has demonstrated under the present owner's management, but rather on the buyers' projected cash flow under their manage-

(continued on page 122)

All-Industry Committee has filed affidavit; ASCAP's due by July 15

ASCAP, radio industry prepare for 'rate' court

Second in two-part update on music licensing

The next step in the dispute between the American Society of Composers, Authors & Publishers (ASCAP) and the All-Industry Radio Music License Committee on the rate structure for new music license contracts will be appearance of both parties in federal "rate" court.

The License Committee has filed an affidavit with the U.S. District Court, Southern District of New York making its case for the determination of "reasonable " ASCAP license fees. ASCAP, according to a spokesman, will file its papers by July 15.

Talks between ASCAP and the Committee regarding new license contracts officially broke off about three months ago. But, according to Carl Munson, attorney for Weil, Gotshal & Manges, the Committee's legal counsel, "negotiations between the Committee and ASCAP sort of died out around the end of February. It became clear to both sides that the positions were not subject to change. We have characterized it in press releases as ASCAP having broken them (negotiations) off. ASCAP did send a letter to us, I believe, around the end of March, saying they saw no prospects in continuing negotiations and suggested that we go ahead and file a rate petition." Munson was speaking on behalf of Alan J. Weinschel, the WG&M partner who is responsible for the case.

The last license contract signed between the two parties in 1978 expired at the end of 1982 but has continued on an interim basis since then.

BMI license

The Committee and Broadcast Music Inc. (BMI) are currently operating under an amended version of the license contract that expired at the end of 1983. The amended license runs through the end of this year, with a provision that it could be extended on an interim basis through 1986 if both parties cannot agree on a new license for 1986.

The current amended contract resulted from negotiations in 1983 and '84. At one point during the negotiations last year, BMI sent out its own licenses, but in mid-August the Committee and BMI were able to agree on an amended version of that contract.

The amendments, says Munson, "lowered the rate of that contract and made certain other changes that were beneficial to radio stations. The contract as amended was then recommended by the Committee as the best that it could do. That contract still has an increase built in that the Committee was not happy about, but it was unable to prevent any sort of increase."

After BMI had sent out its own licenses to stations last summer, an agreement between it and the Committee had seemed remote, but trade associations—namely the National Radio Broadcasters Association and the National Association of Broadcasters—stepped in to urge both parties back to the bargaining table.

ASCAP contract

In the affidavit to federal district court regarding a new ASCAP contract, Robert E. Henley, chairman of the All-Industry Radio Music License Committee (and president and general manager of WGN of California Inc.) says ASCAP has asked for "a significant and wholly unjustified fee increase for its radio station blanket license, *over and above* the automatic and substantial annual increases accruing to ASCAP under the 1978 licenses."

The Committee's affidavit, according to Bernard Korman, general counsel for ASCAP, "omits a number of important facts and is seriously misleading in major respects, which we will deal with at the appropriate time in court."

Elaborating on the affidavit, Munson points out that the commercial license fee that stations pay ASCAP under the 1978 license is 1.725 per cent of their net revenues. "Typically," he says, radio station revenues increase annually, due to inflation and other factors. Because the fee is literally tied to revenues—as your revenues go up, your fees go up.

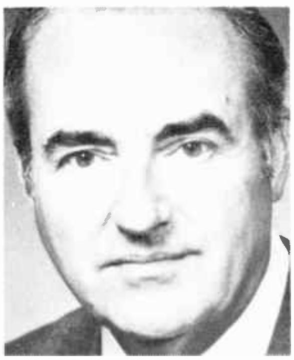
"So ASCAP is assured that, as radio station revenues go up, ASCAP will get the increases. They are, in that sense, automatic increases. And they're quite hefty. Over the last number of years they've beaten the inflation rate quite well. And the Committee's position is that, 'that's enough.' But they (ASCAP) want more—they want something on top of that."

Definition of 'hit'

ASCAP, the affidavit points out, "has offered only one 'justification' for its demand for a fee increase: It claims that a greater percentage of current 'hit' songs are in its, rather than BMI's repertory. ASCAP has based its claim on certain trade publication charts.

"The definition of a 'hit'," the affidavit claims, "is elusive at best. What may be a 'ht' to one (e.g., a country music) station and its listeners may be of no interest to another (e.g., a classical music) station and its listeners.

"It is entirely possible for a station to switch to a format that involves the performance of less ASCAP music and end up paying ASCAP more license fees."



Robert E. Henley
Chairman
All-Industry Radio Music License Committee

"ASCAP's 'hit' charts are relevant—if at all—only to those stations that play predominantly current 'hits.' . . . The entire radio industry should not be forced to pay higher ASCAP license fees on the basis of claims that a greater share of the 'hits' are in ASCAP's repertory."

Another reason that license fees should not be based on 'hits,' the affidavit says, is that "allocation of 'hits' as between ASCAP and BMI can also change over time, due, for example, to shifts in ASCAP's and BMI's members, changes in public tastes and other unpredictable events.

"Thus, to premise license fees on 'hits' is patently unreasonable. In order to justify ASCAP blanket license fees at levels substantially higher than BMI license fees, among other showings, ASCAP should be required to demonstrate that significantly more of the music *performed* on radio stations is contained in the ASCAP repertory than is contained in the BMI repertory *and* that this disparity will likely continue throughout the term of the new license.

"During the course of negotiations, the committee challenged ASCAP to make such a demonstration. ASCAP declined to do so."

The Henley affidavit also argues that ASCAP has declined "to offer a per-program license that affords radio stations a 'genuine choice' of blanket and per-program licenses."

The fee for the 1978 ASCAP per-program license, the affidavit points out, "was 5.175 per cent of 'revenue subject to fee' plus 48 times the licensee's highest published one-minute advertising rate. This is roughly three times the 1978 ASCAP blanket license rate. ASCAP proposes—with no apparent justification—to maintain a three-to-one ratio of per-program to blanket license rates. Hence, the per-program rate that ASCAP seeks, while nominally lower than the 1978 per-program license, entails an *increase* for ASCAP."

'Deliberate attempt'

The difference in blanket and per-program license rates is characterized by the affidavit as "a deliberate effort to deprive radio stations that use relatively less ASCAP music of a license alternative that costs less than the blanket license."

To illustrate what it calls "the failure of ASCAP to provide radio stations with a genuine choice of licenses" the affidavit points out that "it is entirely possible for a station to switch to a format that involves the performance of *less* ASCAP music and end up paying ASCAP *more* license fees.

"For example, a radio station with a blanket license may drop music from its weekday morning and afternoon programs in favor of a "talk" format. If its audience and, hence, its revenues grow, its ASCAP blanket license fees, because they are a function of revenues, will also increase. And, because the per-program license rate is three times the blanket license rate, unless the station receives more than approximately two-thirds of its revenue from its morning and afternoon weekday programs, it cannot lower its music costs by taking the ASCAP per-program license.

ASCAP, says Weil, Gotshal & Manges' Carl Munson, "is assured that, as radio station revenues go up, ASCAP will get the increases. They are, in that sense, automatic increases. And they're quite hefty. Over the last number of years they've beaten the inflation rate quite well. And the Committee's position is that, 'that's enough.' But they (ASCAP) want more—they want something on top of that."

Station switch

"Worse," the affidavit continues, "if the station switches from a predominantly music format to one that entails the performance of as little as one ASCAP song per hour, it cannot save money under the ASCAP per-program license in any circumstance."

The Committee also points to the amended license contract with BMI as further ammunition in its argument that ASCAP's demands are exhorbitant.

"Judged by the cost of the blanket license offered by Broadcast Music, Inc., the blanket license fee requested by ASCAP is far too high," the affidavit say. "And, because BMI is as much a monopolist as ASCAP, the BMI blanket license fee itself is undoubtedly too high. Therefore, ASCAP blanket license fees should be *reduced* to a level below, or in any event, no higher than the level of BMI blanket license fees.

"The new BMI blanket license," the affidavit argues, "in no way justifies the increase sought by ASCAP. In fact, it supports a major *decrease* in ASCAP blanket license fees. For, despite the fact that BMI unilaterally raised its fees, even the 1985 BMI rate is *lower* than the 1978 ASCAP blanket license rate."

BMI rate court

Unlike ASCAP, BMI has not been subject to a federal rate court. However, Munson says that, as part of the settlement last August, "BMI agreed to set up some mechanism that will, in the future, enable an independent third party to determine rates in terms of licenses in the event that radio stations and BMI could not agree upon them. Among other things, they agreed to the commission of a rate court, similar to ASCAP rate court."

The Committee and BMI he says, "have met several times on this and have agreed upon language to amend the BMI consent decree to provide for a rate court.

"The amendments are almost verbatim to Article 9 of the ASCAP consent decree.

Edward Chapin, general counsel for BMI says BMI has agreed to amend the consent decree but that the "parties are still negotiating."

Lengthy negotiations

Negotiations between the Committee and ASCAP over a new license contract (since expiration of the 1978 agreement) have been going on for over two years.

According to Henley, in the Committee affidavit, "at one point, the Committee and ASCAP reached an agreement in principle regarding simplified licenses at the 1978 effective rate. Ultimately, however, ASCAP chose not to proceed with that agreement in principle and, instead, demanded the large increases in license rates that have made this proceeding necessary." □

International growth, station purchases among syndicator's diversification goals

'Wheel' momentum fuels King World's expansion plans

BY ROBERT SOBEL

"If you're honest in this world, and if you work hard in this world, good things happen to you, and they have," asserts Roger King, board chairman and president of domestic syndication at King World Productions. One of the good things that happened to the company was the success of *Wheel of Fortune*, which catapulted King World from being just another of the multitude of syndicators with limited resources and potential into becoming a major industry influence with a large financial base. The highest-rated first-run syndicated series, according to the Nielsen February syndication ranking, *Wheel* is expected to double its license fees from $20 million in the 1984/1985 season to more than $40 million for the coming season, according to one brokerage house, Arnold and S. Bleichroeder.

Wheel not only has spun out large revenues for King World, but it is also the catalyst for other syndicated vehicles and for broad expansion by the company, which has plans to widen its base in the international marketplace and move into television station acquisitions if the opportunity so dictates and to get heavily involved in merchandising. Other series introduced successfully include *Jeopardy!*, a follow-up to *Wheel*, which is expected to also double its license fees, from $10 million in the 1984/1985 season to $23 million the coming season, Arnhold and S. Bleichroeder predicts.

Newest game show

Upcoming in the way of series is King World's newest game show addition, *Headline Chasers*, which, as of the end of May, was licensed to close to 125 markets, representing 74 per cent of U.S. coverage. According to the brokerage house, *Chasers* license fees should exceed $10 million in its initial season, starting in the fall. But King World is hardly just in the game-show business. Its *Little Rascals* has long been the mainstay of the distribution company, while KW's library of other off-network series, including *Topper* and film classics such as *Sherlock Holmes* and *Mr. Moto*, have all been doing well.

The company is headed by Michael King, president and chief operating officer, one of three King Brothers (Robert left KW several months ago, and formed a co-venture with Alan Bennett, in association with Columbia Television); Stuart A. Hersch, who joined the company in November, 1983, as chief operating officer and general counsel; and Roger.

Roger recalls that KW had only $72,000 in billings the first year after the brothers took over the business when their father, Charles, who founded the company in 1964, died in 1972. Roger (along with many others) considers his father "one of the legends in the business." When his father died, Roger notes, "We really had to learn the business from the ground level at that point." Roger's education in the business had consisted at various times of everything from being a reporter to a stint as a national rep at McGavren Guild to a part ownership of a television station where he was on-air host for all-night movies.

Michael's background has also been laced with broad experience, most of which was in sales, beginning with a "trainee" program conducted by Roger when he was at WAAB/WAAG-FM Worcester, Mass., and learned to sell local radio. Before Hersch joined King World, the company consisted of eight

King World went public about seven months ago, at an anticipated offering price of between $8 and $10 per share, and is currently ranging from between three and four times the initial offering price.

Roger King

Michael King

Stuart Hersch

Hosts Pat Sajak and Vanna White

'Wheel of Fortune' transformed King World into a major industry influence with a large financial base.

employees with half comprised of Kings. It has now grown to 65, with prospects that it will rise to 75 as it expands its activities. King World went public about seven months ago, at an anticipated offering price of between $8 and $10 per share, was snapped up by shareholders and is currently ranging from between three and four times the initial offering price.

Executive structure

The basic structure at the top as far as the three officers are concerned is that Hirsch handles the business side, Roger heads sales, and Michael, the creative and advertising end. However, all three act as a team, and all three have each worn more than one hat at one time or another ("None of us do only one thing at the company," notes Roger), as do others at King World.

As to the company's overall structure stands at this point, it has five divisions: King World Productions, the parent company, which is the distribution arm for cash shows and cash/barter shows; King World Enterprises, which is headed by David F. Sifford and is based in Nashville; Camelot Entertainment Sales, which handles ad-supported arrangements for King World programming, and is headed by Rick Levy; King World Merchandising & Licensing; and King World International.

King World Enterprises is involved in three general areas: developing joint ventures and consortia with station groups and advertisers for new programming; handling station clearances for Camelot; and coordinating sales of KW and Camelot properties. King World International is a spinoff of KWE, responsible for foreign sales. King World is hardly immune from raiding executives it consider the best in the industry. Hersch notes that KW has obtained people from companies such as Columbia, Fox, Paramount, Television Program Enterprises, LBS Communications, CapCities, and Centerpoint Productions.

On the sales end, KW now has five offices, including a branch opened recently in Nashville, believed the first time that a major TV syndication company has a base in that city. Existing offices are in New York, Los Angeles, Chicago and Summit, N.J. Combining both sales forces at KWP and KWE, the number of sales people now totals about 20, which Hersch believes to be the largest sales force in the U.S. by a major distributor. Both sales forces are coordinated and sometimes work together on the same project, Hersch adds.

Laurel & Hardy rights

In terms of programming, KW recently acquired the distribution rights to 11 Laurel and Hardy features, including the colorized version of *Way Out West* and 52 half-hour TV programs, from Hal Roach Studios, in a multi-million dollar transaction. The agreement calls for Roach to keep all theatrical and cassette rights in the western hemisphere, with Roach getting an initial cash advance of more than $1 million, to be applied against fees generated during the first six years of the agreement. KW has an option to extend the distribution rights for up to an additional nine years. Roach reacquired the rights from Janus Films, which had been distributor of the Laurel and Hardy product.

Other new agreements include an hour special, *Special Friends*, barter show, which is looking to air in more than 80 per cent of the country, in at least 160 markets; a nightly half-hour syndicated talk/variety/entertainment series for the fall, 1986, to be developed by Motown Production and King World, marking Motown's entry into syndication (Motown has produced shows for the networks, including Motown 25 for NBC); and KWE's distribution of Stroh's Circle of Sports, 13-week, two-hour sports magazine show, which will also run on the USA Network. The barter series will have 13 minutes for local sales, with KW retaining 11 minutes in each show. Ohlmeyer Communications is the series producer.

Also, in the first-run arena, KW has reached an agreement in principle with Friendly-Parkinson on a half-hour, magazine-type strip geared toward the music business, *Rock n' Roll Evening News*. A number of other shows are in development, including other specials which, if they work out, may go the strip route in 1986. One of the more ambitious projects being negotiated by KW is to distribute a highly popular daytime talk show strip hosted by Oprah Winfrey. The talk show, *A.M. Chicago*, went on WLS-TV Chicago, ABC-owned station, some 15 months ago and has had a booming ratings record, knocking off *Donahue* on WBBM-TV and beating game shows on WMAQ-TV. In the March NSI, *Chicago* came in third overall.

While Winfrey's contract with WLS-TV still has about one-year and a half-to-go, Hersch says that KW has reached an agreement in principle with both WLS-TV and Winfrey for the show to go into syndication via KW. The name of the hour strip will be changed to the *Oprah Winfrey Show*, notes Hersch. KW beat out competitors for syndication rights such as Viacom, Tribune Entertainment and Samuel Goldwyn Television, according to reports.

Adding personnel

In conjunction with its overall growth and expansion, KW recently hired a number of persons, including Steven Palley, as general counsel and senior vice president, Joe Curran, as president of KW Merchandising and Licensing, who comes on board on August 1; David Sams, as vice president, creative affairs; and Ed Gish as on-air promotion and video services manager. Palley, a securities and entertainment lawyer, will join KW on July 15. His functions, according to Hersch, will involve keeping the reins down on spending and overall business control.

Hersch says one of the fortunate problems in growing is that "everyone wants you to either buy them or work with them. Steve is an experienced lawyer and businessman. He will help with the analysis and with the tightening of our organization. There are lots of growing pains, and one of the things we are doing this year, in addition to acquiring product and expanding our programming and relationships and opening companies, is to try to tighten our company so that it doesn't explode." Curran was president of Hallmark properties and corporate vice president, Hallmark specialty products division.

Conservative philosophy

But while it appears on the surface that KW is on an all-out office, personnel and programming distribution expansion binge, its philosophy hardly is to run helter-skelter into acquiring product or diving headlong into anything for that matter, without full research and examination. Hersch emphasizes that KW's approach has always been conservative and that this philosophy will obtain, while using much of KW's assets for investment purposes in the communications industry.

"The corporate philosophy is not to pick up a number of properties and hope that one will work," he says, "or to acquire 50 movies, knowing that five are good and the rest have to be thrown into the mix. We believe in looking at a limited number of products that the station wants to air."

Hersch professes that the company considers itself a distributor, leaving the producing to the producers. He notes that the networks have approached KW "to do some things with them, but we haven't pursued these projects as actively as the company may in the future. We think it's a mistake to produce, which some of our competitors have made. The fact is we have a good development staff, and good research, marketing and promotion staffs, so that it's only a small step from distributing to producing product. But if we can pick only specific properties that we believe will work, we can associate ourselves with top producers whom we think can deliver the product we want."

That's why, Hersch says, KW is associated only with Merv Griffin on game shows, because "we think he's the best," Ohlmeyer on sports, and other specific producers in other areas. Michael King sees KW as a one-stop shopping company for a producer. "Some people who get to our stage start doing different things from what got them from ground zero. The strongest part of the business is distribution, and I am not going to go back and learn production. It would be ludicrous of me to think I could do it better than the producers we have. Also, if we were producers, we would be in competition with the ones we use."

Cable research

Nevertheless, KW's goal of becoming a more significant force in the communications industry includes cable, home video and acquisitions of publications and TV stations. In cable, Hersch says KW is doing some research and developing "some things for the cable market, but not actively distributing any product." Development includes miniseries and movies-of-the week. Michael King sees the video market as exploding but feels it can be "very dangerous." He calls the price paid by Vestron for Telepictures *ThunderCats*, said to be about $7 million for the video rights, as "insane. I think it's insanity for a company to pay that kind of money for an unseen and untested new product."

In the case of station acquisitions, Hersch says that the entertainment business is "in a state of frenzy and chaos and everyone is overpaying for the stations," which KW does not intend to do. "There are a number of properties out there which are attractive, and other companies also see them as attractive. Even though some don't know much about the TV business, they have a lot of cash, escalating the prices.

"We will not overpay to buy a hard asset. This will not lessen our job of continuing to look. There are a number of attractive assets we would acquire if we could make a good deal. It's our intention to complement what we already have, which means owning hard assets in the other areas, and we think we can add a lot of value in the TV station area. Some of the publications we are looking at will complement our basic business and be a very good vehicle for increasing business on both sides. But as long as the prices are being inflated beyond the point where it becomes an economically rational investment, we will step back and keep accumulating our money."

Hersch says he's looking at stations between markets 10 and 100, preferably below 75, but a "good investment is a good investment. The markets that are most inflated at this point are 1 to 10; 10 to 20 may be good, but the best values may be between 20 and 70; it's a question of what the availability is and who the sellers are. We don't want to buy a small station as we have been offered, just to buy a station.

Hersch says the station interest is not

(*continued on page 130*)

Wink Martindale and happy guests

By the end of May, 'Headline Chasers' was licensed to nearly 125 markets, representing 74 per cent of U.S. coverage

Television/Radio Age

July, 1985

Outside equity partners, leasing of land and machinery are among the solutions

Business shakeout forcing farmers to try new methods

BY FRED ALLEN

Some are calling it a "crossroads" year for the American farmer, and for the agribusinesses supporting him. And some have labeled 1985, a year of "challenge" and "change."

Whatever the labels, there is plenty of evidence that—as U.S. agriculture moves into the last half of the '80s—both farmers and their input industries are being forced this year to search for new alternatives and new adjustments to traditional ways of doing business "down on the farm."

The deepening farm debt whirlpool . . . an export situation growing more competitive and less favorable for American producers since the "boom" decade of the '70s . . . and continuing growth in the supply of major farm commodities, leading to prospects of more weak prices on into 1986 all are contributing to predictions of a continuing economic shakeout on the U.S. farm front, well into the second half of this decade.

For the short-term, the outlook provides few glimmers of light at the end of the traditional tunnel. On into 1986, this country's farmers, farm-lenders and suppliers will continue to face tough

Stripcropping at farm in Carroll County, Md.

USDA-SCS photo by Tim McCabe

Farmers are being forced to search for alternatives to the traditional ways of doing things.

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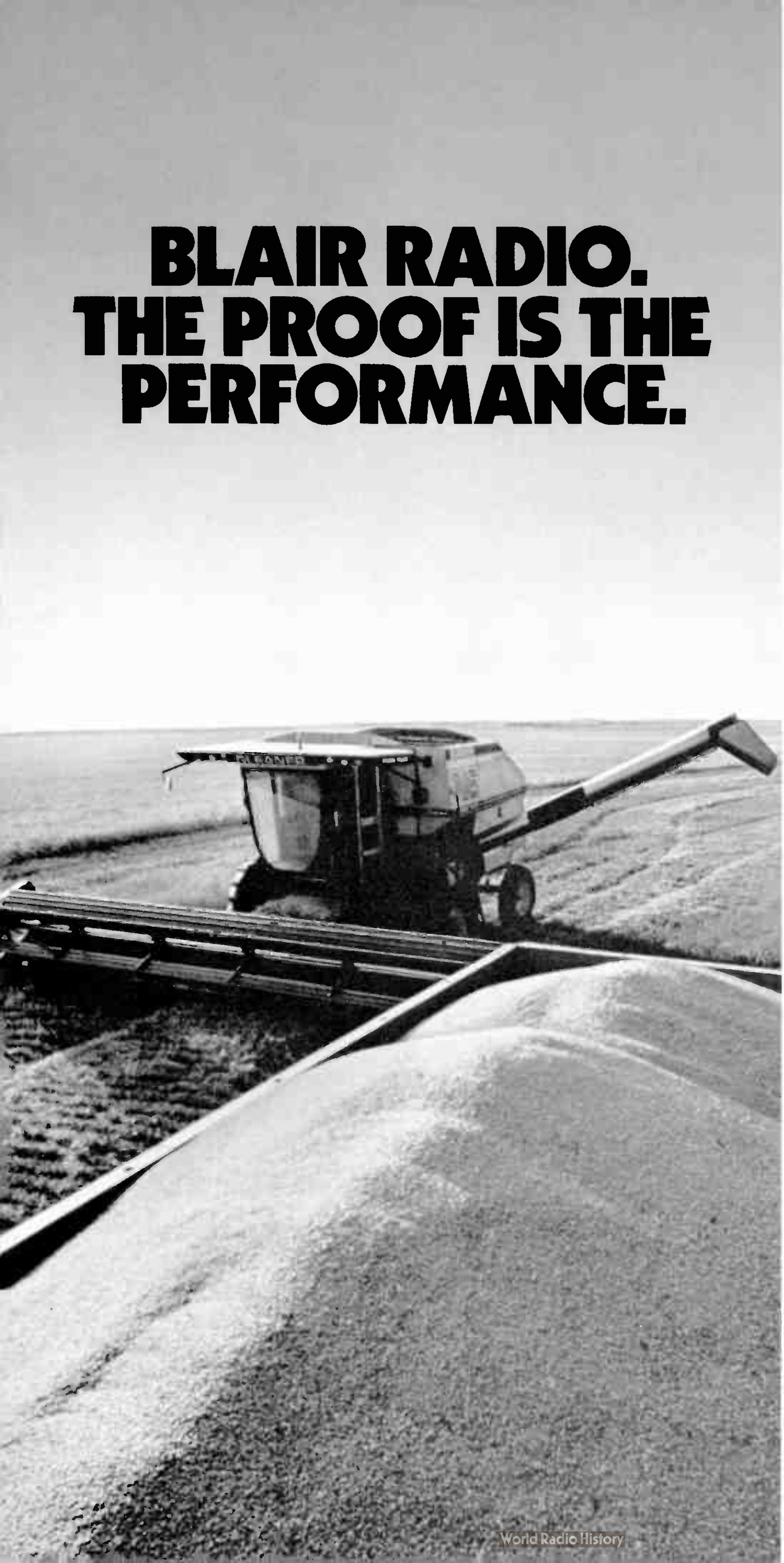

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Demonstration in the capital

This spring, farmers dramatized their problems with a number of highly-publicized trips to Washington.

times. The survivors, say the experts, will be those still able to adjust to the realities of recent, rapid economic change and those capable of making the necessary non-traditional adjustments and decisions quickly.

Pivotal year

Most experts agree that 1985 will be a pivotal year, definitely leaving a distinct mark on American agriculture through the '80s, and beyond.

This spring, reeling from four years of dropping farm asset values and weak commodity prices, farmers—and some farm-state legislators—dramatized their problems with a number of highly-publicized trips to Washington.

The government responded with some emergency financial measures. But most farm spokesmen feel the bandage was too small to cover widening and deepening farm credit wounds. Since then, the problem is continuing to become more critical.

Recently, the *Wall Street Journal*, in a two-part report on agriculture's financial ills, noted that many farm banks were continuing to make loans this spring to hard-pressed borrowers, even though there was little evidence that the loans could be repaid. To support those loans, borrowers could produce only prospects of negative cash flow and disappearing collateral in the form of plummeting land values, particularly in the Corn Belt and the upper Midwest.

This, of course, is not normal banking practice. But many bankers, seeing no other immediate solution, made new loans, hoping to defer further losses, though both lender and borrower were aware that there was almost no evidence that the loans could be repaid on schedule.

There were predictions that only 85 to 90 per cent of those farmers who applied would get planting loans this spring. But, instead, an estimated 95 per cent did get new financial help.

Much of that help, of course, came from government lending agencies. Much, however, still was provided by farm banks, where lenders made the loans, based mostly on collateral rooted in faith and hope.

With few solutions in sight, such desperation is only one indication of the deepening farm credit crisis and its ripple effect on other segments of the economy.

Through foreclosures and failures, farm banks (those making at least 25 per cent of their loans to farmers) and others lending heavily in the agricultural sector, are acquiring more and more farmland they don't really want. Because of the overall economic pinch, there aren't many buyers. Meanwhile, the value of the assets acquired continues to fall.

In June, 371 farm banks were on the list of problem institutions targeted by the Federal Deposit Insurance Corp. That compares with a total of 231 a year ago. And, of the 46 banks reported to have failed since the beginning of the year, over half were banks in farm areas.

On the last day of May, federal banking officials reported that seven banks in four states—Nebraska, Minnesota, Oregon and Arkansas—closed during that one day, the largest one-day total since the FDIC began operations in 1934.

Lending agencies

Meanwhile, government farm lending agencies are working hard to find new solutions to help alleviate problems in their financial sector.

A new Farm Credit System Capital Corp. has been created as a service corporation owned by all 37 banks of the national farm credit system. It will relieve the Federal Intermediate Credit Bank in Spokane, Wash., of $150 million in high-risk and non-performing loans, part of a plan to return the FICB to a sound financial footing, along with its 23 production credit associations in Washington, Oregon, Idaho, Montana and Alaska.

In 1983 and '84, the Spokane bank suffered $70 million in losses. and caused the liquidation of eight PCAs.

At the same time, officials of the Farm Credit Administration are currently evaluating requests from the FICB in Omaha, asking for assistance from the national system.

While farm bankers are working to find solutions, farmers, themselves, are seeking new ways to ease the financial crunch.

Some are seeking equity partners from outside agriculture, or from city-based relatives and friends. Though it may be the very beginning of a trend, the plowing is difficult because most farmers have neither the financial knowledge or technical help necessary to sell a would-be investor on a venture into the uncertainties and risks of modern farm production.

Production costs

Others are searching for every opportunity to reduce production costs—increasing use of family labor to minimize out-of-pocket expenses; leasing land and such fixed capital inputs as large machinery, rather then buying them and acquiring more debt; and reducing use of variable inputs.

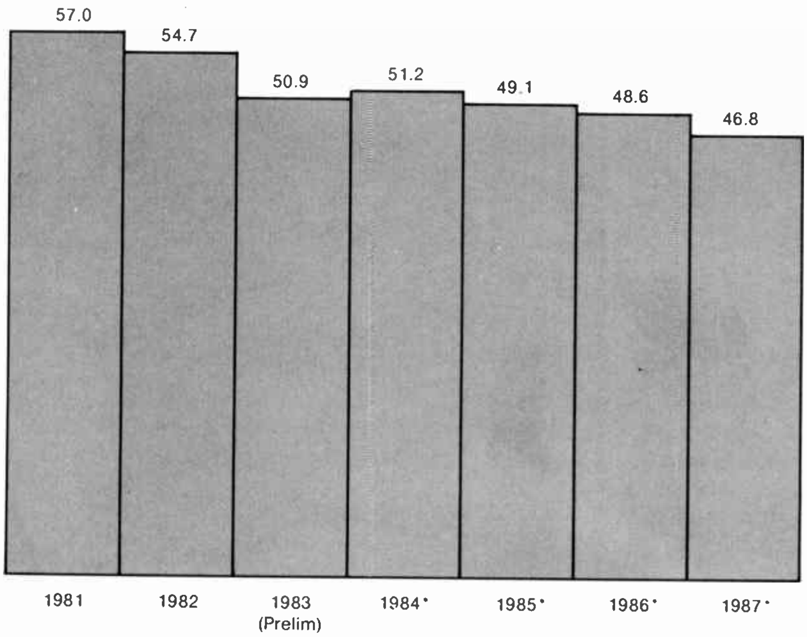
Others are working to change their mix of products to cut costs.

One example is provided by USDA economists in a recent report on farmer response to financial stress. "Mixed grain-livestock operations," the report says, "may be able to improve profitability by converting marginal cropland to pasture, and increase livestock pro-

U.S. farm cash production expenses

(as of January 1 each year)

(billion 1972 dollars)



** CEA Projections*
NOTE: Computations for adjustment to 1972 dollars reflect rounding.
Source: Chase Econometrics Forecasts June 1985

duction. However, production costs and relative product prices will still be important factors.

"Other operators may choose to sell marginally-profitable land or marketable assets. A financially pressed grain-livestock farm may sell breeding stock to raise cash needed to improve the grain operation. Presently, many farmers face this choice of shoring up their cash flow at the expense of long-run profits."

Unfortunately, there are few forecasts of better economic weather ahead. This year, the Department of Agriculture forecasts net cash farm income at between $33 and $38 billion.

This compares with net cash income estimates of $34–38 billion, expected when final figures are complete for 1984, and the 1983 record of $40.1 billion.

Net farm income (a measure of the income resulting from production in a given calendar year) has been forecast at between $20 and $25 billion in 1985, falling from a range of $29 to $33 billion for last year, but up from the $16.1 billion recorded in 1983.

Those less than promising projections are only part of the story, however,

The export situation, which brought smiles to farmer's faces in the '70s, is expected to add additional economic pressure.

This year, USDA economists are predicting that the volume of U.S. farm exports will probably decline slightly. Add to that expectations of lower prices and export income is expected to fall even further.

The value of farm exports in 1985, predicts the Department of Agriculture, may shrink to $34.5 billion—a drop of 9 per cent from last year.

At the same time, farm imports are expected to total $19.5 billion, reducing the overall farm trade surplus to $15 billion. That's $4.1 billion below the surplus figure for 1984—and the smallest surplus total for exports since 1978!

America's wheat producers are expected to be hit especially hard by the weakening export situation. The 1985 harvest, predicts the USDA, should total about 2.4 billion bushels—one of the five or six largest on record.

But more than half of the '84 bumper crop of 2.6 billion bushels is still in storage. Domestic wheat consumption accounts for only slightly under 40 per cent of total production, so healthy exports are the only answer to cutting the surplus.

And the export outlook is not a healthy one.

Production outside the United States—aided by favorable weather overseas—is on the rise. High export prices for U.S. wheat, bolstered by government support programs and the strong dollar, will add to the problem.

So, American wheat exports are expected to drop to 35 million metric tons in fiscal '85 (ending September 30). That equates to 1.3 billion bushels—a drop of 1.5 bushels below the total for fiscal '84.

Next year, economists see the wheat export slide continuing, with a further drop of 1.2 billion bushels.

Foreign competition

Foreign competition is on the upswing, as the export market continues to shrink. European producers, aided by policies of the European Economic Community, are expanding acreage.

In fact, Great Britain is now a *net exporter* of wheat. Only four years ago, it was a net importer.

That, of course, is only one dramatic indication of the competitive export trend. Countries like Canada, Australia and Argentina have also increased farm exports to foreign markets. And traditional import nations, favored with improved weather and technology—countries like India, China and the Soviet Union—are improving grain production, thus cutting their import requirements.

U.S. trade agencies are beginning to fight the trend, with programs announced this spring—programs some are labeling "export PIK." But these policies can only have an impact in the longterm, and cannot, realistically, be expected to provide effective short-term relief.

Work on a new farm bill, now underway in Washington, includes a number of suggested adjustments, targeted to address the export issue. Changes in export credit programs, variations of

Total farm debt

10 leading states, 1984 preliminary (million $)

Rank	State	Amount
1	California	$17,585.3
2	Iowa	16,791.1
3	Texas	13,662.2
4	Minnesota	11,680.4
5	Illinois	11,268.7
6	Nebraska	10,723.0
7	Kansas	8,731.9
8	Wisconsin	7,501.5
9	Indiana	7,480.5
10	Missouri	7,082.1

Source: State Income and Balance Sheet Statistics January, 1985, Economic Research Service, USDA

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export PIK, or market bonus, plans, and repeal or reform of the Cargo Preference Act (requiring certain types of shipments to be carried on U.S. flag vessels) are all in the legislative hopper, as Congress works to complete a new farm bill, before expiration of the 1981 version this fall.

So, efforts are being made to reverse the unfavorable farm export situation. But most observers feel that immediate relief is not in sight.

Meanwhile, the Department of Agriculture reports that barges and grain elevators have been idled this spring because of the decline in export shipments. Ten export elevators showed no activity in March and remained closed in April.

U.S. exports of grain and soybeans, says the USDA, fell to 276 million bushels in March, 47 per cent the total for last December.

Atlantic Coast ports experienced a 48 per cent drop in March, followed by another decline of 56 per cent in April. Shipments at the Gulf ports fell 45 per cent in March, but registered a slight increase of 11 per cent in April. Pacific Coast ports registered a 35 per cent cut in grain and soybean shipments during the same period.

There is, however, one bright spot in the export picture—fertilizer. Improved exports have strengthened fertilizer prices and allowed U.S. producers of fertilizers to boost production levels this year.

In May, the Department of Agriculture reported a 72 per cent increase in exports of nitrogen fertilizers for the period from July of last year to February, compared to the same period a year earlier.

Major items contributing to the increase were anhydrous ammonia, diammonium phosphate and urea.

Exports of phosphate also increased during the same period—by 53 per cent—again, because of a jump in shipments of diammonium phosphate, coupled with increases in quantities of phosphoric acid and monoammonium phosphates.

And the favorable export trend for U.S. fertilizer producers also extended to the phosphate varieties, with phosphate shipments rising 43 per cent backed by increases in potassium chloride and potassium sulphate.

The fertilizer situation also has been one of the few favorable factors this year for the farmers, themselves.

Prices this spring—because of no real change in consumption, plus an adequate supply—have averaged 6 per cent below those in March of last year. Increased demand could result in slight increases, but average levels are expected to remain below those that existed last year.

The biggest drop in prices has been for triple superphosphate, diammonium phosphate and muriate of potash—down about 10 per cent from last spring.

Urea prices remain generally unchanged, while those for anhydrous ammonia show a decline of 7 per cent, and for ammonium nitrate—3 per cent.

For U.S. fertilizer producers and farmers, then, the trends are slightly improved so far in 1985. But that's about the only "good news" available from the farm and agribusiness front this year.

The outlook for production and sale of farm machinery and equipment continues to be filled with projections marked by minus signs.

Equipment sales decline

Member companies of the Farm & Industrial Equipment Institute—surveyed in April—believe sales of all farm field equipment will drop 5 per cent this year, with "no change" predicted for agri-equipment such as dryers and grain bins.

The most optimistic sales forecast by the farm equipment manufacturers is for only one type of equipment. Sales of grinder-mixers may, they believe, rise slightly—about 2.2 per cent—this year, followed by an even bigger increase of 16.7 per cent in 1986.

But those projections are based on prospects some manufacturers see for improvements in the livestock sector. And, at this point in '85, that upswing is difficult to predict.

The farm equipment industry bases its forecast of a continuing drop in sales in 1985 on three factors: uncertainty over the new farm legislation; low farm commodity prices; and interest rates still uncomfortable for buyers pressed by cash-flow and credit problems.

Sales of service parts are expected to rise, though, this year and next. For farm equipment, 3 per cent; for agri-quipment, between 2.5 and 5 per cent.

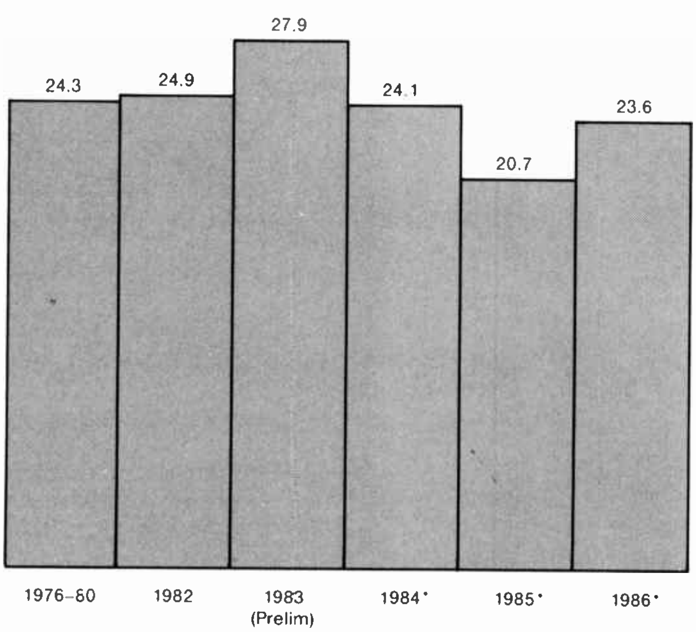
In its survey of member companies this spring, the FIEI also asked this question: "What are some expected responses or actions by farm equipment manufacturers in the next five years, as they adjust their businesses to the generally-held view that farm equipment sales will not return to the unit volumes of 1978/79?"

The responses ranged from additional mergers of existing companies, to development of new cost-cutting production measures, to diversification into other non-agricultural markets. The survey also indicated that the equipment manufacturers feel they must only

(continued on page A-10)

Realized net farm income

(billion $)



* CEA Projections
Source: Chase Econometrics Forecasts June 1985

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- The recipient of the National Association of Farm Broadcasters Meritorious Service Award.
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Drop in land value biggest problem: Chase Econometrics senior economist

Dennis Steadman

"For the majority of farmers this year," says Dennis Steadman, senior economist and vice president in charge of the agriculture department at Chase Econometrics, "the major problem continues to be an erosion in their asset base . . . a continued drop in the price of their land. And that, of course, affects the input market very directly.

"A drop in the value of a farmer's property results in an even sharper drop in his equity, just like the owner of a $100,000 home with a $50,000 mortgage. He believes he has that amount of equity until the value of his home drops to $75,000, cutting his equity in half and greatly reducing his economic options. That's exactly what's been happening to many farmers."

"Based upon the policy that we see forming in Washington with respect to the '85 farm bill—which will reduce commodity prices—farmland values will continue to fall, certainly for the next couple of years.

Emergency legislation

"The only thing we see on the horizon that would prevent that . . . would be specific emergency legislation that would address asset values directly.

"The realistic economics of the world grain trade and the realistic economics of U.S. demand for meat," Steadman continues, "suggests that the farm sector is not going to turn around . . . based upon stronger commodity prices and traditional cash flow income injections.

"We're going to be suffering under some low income levels for the next several years. The question as to whether producers can survive or not, hinges on their asset values and the extent of their debt.

"The debt—while it is large—still will bring a combination of good news and bad news. The good news is that there still is a large portion of farm operators who are not financially stressed . . . who have a debt-to-asset ratios of 10 per cent or less.

"The bad news is that this is concentrated in a small segment of producers . . . mostly, those who got into the business, or expanded tremendously in the '70s, leveraging those inflated land values.

"That high concentration represents a major risk in two different ways—one, because those producers will likely go out of business because they're carrying debt-to-asset ratios of 80 per cent or more. The second risk is to the agricultural lending institutions because a large portion of this farm debt is concentrated in very vulnerable areas.

Banking crises

"The kind of banking crises that we're seeing in the Omaha and Spokane PCAs" he says, "will probably worsen and spread to other areas, and will have increasing impact on commercial institutions throughout the farm communities."

Emphasizing the continued vulnerability of lending institutions in areas where farm debt is concentrated, the Chase farm economist provided some supporting figures. "About 7 per cent of the producers who own about 4 per cent of the total assets hold about 24 per cent of the debt. That's the most vulnerable segment.

"Another way to look at it," Steadman continues, is from analysis showing that 18 per cent of producers, representing about 15 per cent of the assets hold 56 per cent of the debt. "That's the problem, in terms of concentration.

"There could be, though," he says, "some good news from this year's crops . . . the possibility of some record yields.

"Often, that isn't necessarily good news because it drives prices lower. However, this year, even if the crop is average in yield, prices are going to be forced down against that government floor, anyway. So, to the extent that yields might approach records, there'll be just that much more gravy.

"You could have producers who have absolute bin-busting yields who are eligible for the government supports because we did have a very high participation in the acreage programs this year, with 71 per cent of the corn producers and over 80 per cent of the wheat producers signing up.

"So, you could have very large yields, with the government supports, resulting in possible improvements in the cash flow situation.

"If that should happen," he says, "some of those lenders who stuck their necks out this spring could get a small payback. But—for farmers with debt-asset ratios of 70 per cent or more—it's going to take a lot more than that."

When asked for his perspective on the livestock situation, Steadman says: "The whole meat and livestock complex has been particularly weak this spring. Even though it is one of the sectors where producers have practiced sound economic policies, there hasn't been a payoff. There has been a reduction, generally, in meat supplies and yet we're still operating at price levels below a year ago.

"The consumer shift away from red meat is simply not over. It's a shift that's continuing. And, even though the red meat industry has been adjusting down to reach that lower demand, it's going to have to go even lower. So, the livestock industry is going to be under continued pressure for the balance of '85.

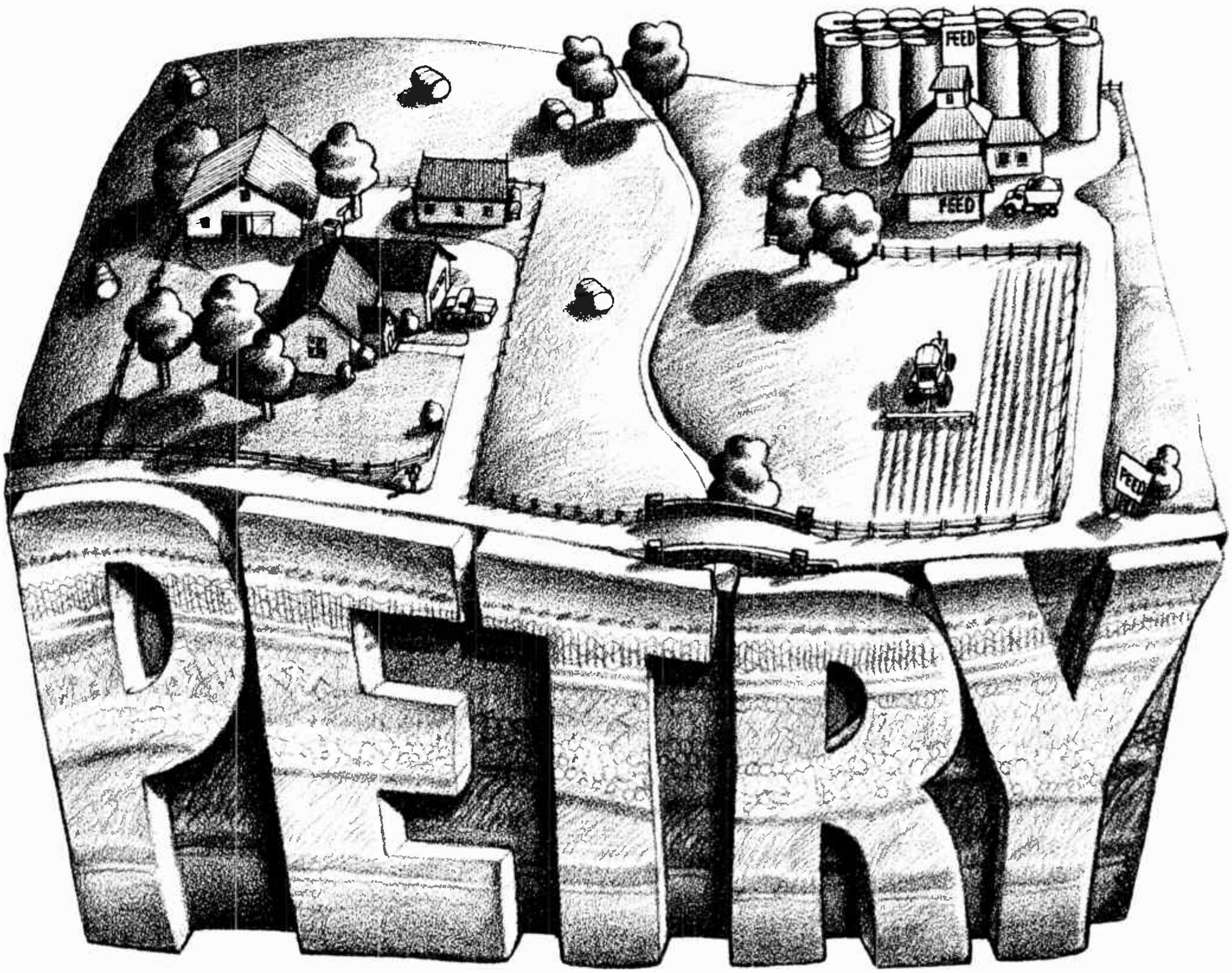
"Moving into 1986, there's some good news on the horizon, and that is sharply lower feed costs, as a result of the new government programs.

"So we do expect to see some expansion in the livestock sector, because of the incentive of cheap corn. The livestock industry should improve, in terms of numbers, during the next two years. But it will still be below the highs of five years ago.

"One area where there has been some good news this year," he continues, "has been in poultry. Prices have been strong this spring, and poultry products continue to show high consumer acceptance. Production is expanding at a pace of 5 to 7 per cent. Unfortunately, that situation is eating directly into the red meat industry's profit situation.

"That trend is also forcing other adjustments. Because, every time we switch from a pound of beef to a pound of poultry, we're consuming two pounds of corn, instead of eight, thus reducing our grain demand." □

"We do expect to see some expansion in the livestock sector because of cheap corn."



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Farm income situation *(billion $)*

	1980	1981	1982	1983	1984 F	1985 F
Receipts						
Cash receipts						
Crops	$72.7	$73.3	$74.6	$69.5	$68 to 72	$69 to 73
Livestock	67.8	69.2	70.1	69.2	70 to 74	70 to 74
Other cash income	2.8	3.8	5.5	10.8	9 to 11	6 to 10
Gross cash income	143.3	146.4	150.2	149.6	149–153	148–153
Non-money income	12.4	13.6	14.2	13.6	12 to 14	12 to 14
Realized gross income	155.7	160.0	164.4	163.2	162–166	161–166
Value of inventory change	−5.5	7.9	−2.6	−11.7	5 to 9	−3 to 1
Total gross income	150.2	167.9	161.8	151.4	169–173	160–165
Expenses						
Cash expenses	105.6	111.4	113.4	109.5	114–116	113–117
Total expenses	128.9	136.9	139.5	135.3	139–141	138–142
Income						
Net cash income	37.7	35.0	36.8	40.1	34 to 38	33 to 37
Total net farm income	21.2	31.0	22.3	16.1	29 to 33	20 to 25
Deflated total Net farm income*	11.9	15.8	10.8	7.5	13 to 15	9 to 11
Off-farm income	37.6	39.8	39.4	41.0	41 to 45	43 to 47

* *Adjusted to 1972 dollars*
F Forecast
Source: EMS/ USDA, June 1985

Business (*from page A-6*)

make their operations more cost-efficient as quickly as possible, but they must also participate extensively in lobbying for agricultural interests at the various levels of government.

Economists' report

USDA economists noted recently in an early '85 report on the status of farm inputs that "the trend of farmers to hold machinery longer seems to have been accentuated by depressed farm financial conditions since 1981."

The report continued, "Real purchase expenditures for farm machinery fell drastically—from $7.19 billion in 1979 to $3.54 billion in 1983. Real expenditures for repairs, however, remained relatively constant, between $2.1 and $2.37 billion during this five-year period."

As a result, the combined effect of farmers maintaining older machinery, increasing their demand for used machinery and reducing demand for new items, has kept spending for repairs from falling as dramatically as has that for new-purchase spending. So, as a share of total machinery expenditures. spending for repairs increased from 28.5 per cent in 1980 to 37.2 per cent in 1983. Overall, the Department of Agriculture forecasts total farm machinery purchases this year at between $7.35 and $7.65 billion, about the same as for 1984.

Falling interest rates this spring may fuel an increase in that projection slightly. However, most observers feel the depressing effect of the gloomy credit situation will outweigh any other factor, placing continued downward pressure on machinery demand.

Mergers of farm equipment firms, such as the one between Tenneco's J. I. Case and the farm equipment division of International Harvester, may heighten price competition this year. Liquidation by Case-IH of International Harvester's inventory of high-powered tractors and combines could have an effect on prices.

But the general condition of the farm economy this year precludes any real change in machinery demand.

Pesticide growth

The agricultural chemical industry benefited from some growth in pesticide sales last year, after the decrease suffered from 1981 to '82.

One bit of good news for farmers has been the fact that prices for herbicides—expected to be about 85 per cent of the total of all pesticide consumption in '85—continued downward early this year.

Herbicide prices, says the USDA, have been falling since 1982, and—this spring—were down 4.5 per cent from a year ago.

The composite insecticide price in March, however, inched upward 2.8 per cent from the same time last year, following a drop of 5.3 per cent registered during the same period from '83 into '84.

In a report released in May, USDA economists noted that the price of synthetic pyrethroids (used mainly on cotton) has been falling recently, with more competition expected because of the introduction of new products.

The report also pointed to several factors currently influencing the market for herbicides.

Patents for several types of herbicides, used on corn, soybeans and cotton, will expire this year and next. Prices for those products are dropping, with potential for increased competition as the patent expirations occur.

In addition, several new herbicides—used for post emergence application—are now on the market. These allow farmers to pinpoint weed problems, before application.

The Department of Agriculture estimates that from 475 to 515 million pounds of all types of pesticides will be used on major field crops this year. The latest estimated total for last year—507 million pounds. As of this spring, planted acreage for most field crops was expected to be slightly less than in 1984.

For the agri-chemical industry, too, the balance of imports and exports is shifting.

In a summary of its 1984 *Industrial Profile Study*, the National Agricultural Chemicals Association—analyzing reports from its member companies—

"IN AGRI-BUSINESS, JUST HAVING A GOOD PRODUCT DOESN'T AMOUNT TO A HILL OF BEANS."

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Farm Director, Eastman Radio (Associate Member, N.A.F.B. and a Member of N.A.M.A.)

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MARKET	STATION	FARM DIRECTOR
Buffalo, NY	WBEN	Lou Douglas
Chicago, IL	WMAQ	Ralph Seeley, NAFB
Cincinnati, OH	WLW	Bill Wills, NAFB
Dallas, TX	WBAP	Don Harris, NAFB
Detroit, MI	WJR	
Dodge City, KS	KGNO	Roy Lee, NAFB & Chuck Stark, NAFB
Ft. Dodge, IA	KWMT/ KKEZ	Doug Cooper, NAFB
Intermountain Network	69 stations in 10 states	Mike Smith, NAFB
Jackson, MS	WJDX/ WMSI	Randy Bell
Little Rock, AR	KSSN	Gordon Barnes, NAFB
Northeast AG Network	24 affiliates in upstate NY	Jerry Reed, NAFB
Oklahoma City, OK	WKY	Ken Root, NAFB
Richmond, VA	WRVA	Alden Aaroe
Sacramento, CA	KRAK	Mike Side, NAFB
Springfield, IL	WTAX	Peggy Kay Fish, NAFB
Utica/Rome, NY	WIBX	Jerry Reed, NAFB
Wichita, KS	KFH	Bob Givens
York/Harrisburg/ Lancaster, PA	WSBA	Marty Grey

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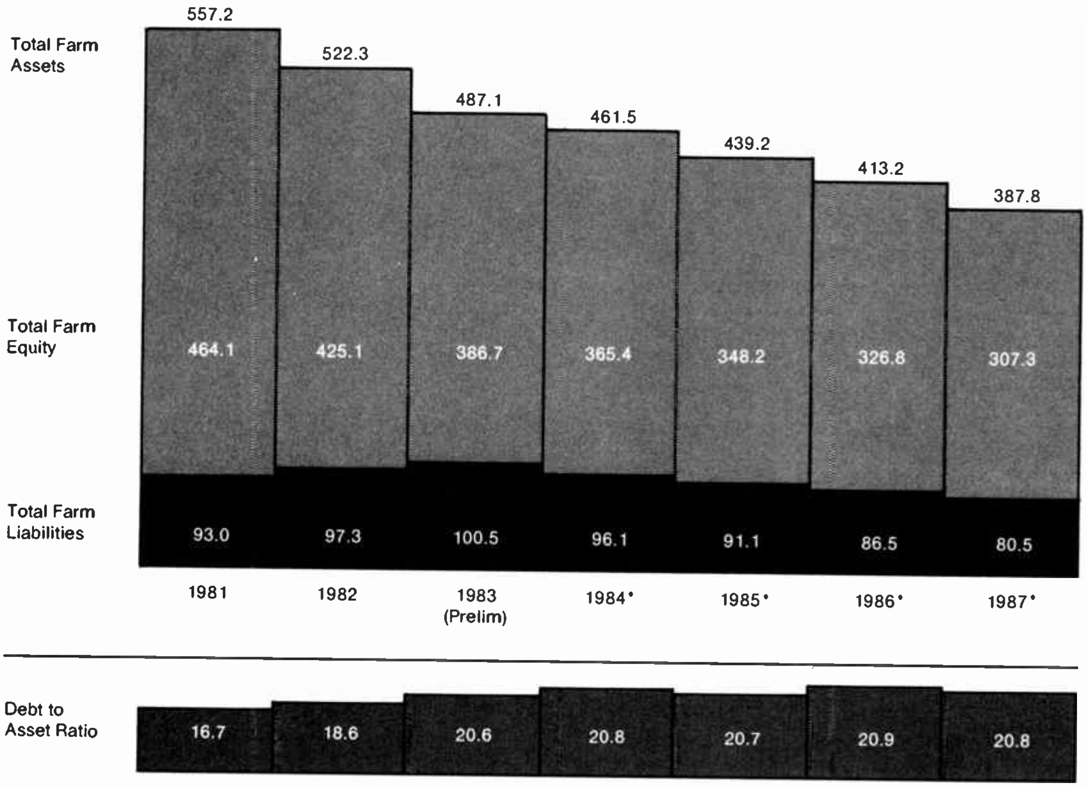
U.S. farm balance sheet

(billion 1972 dollars)



** CEA Projections*
Source: Chase Econometrics Forecasts June 1985

included this significant paragraph:

"Of the $4.33 billion of U.S. pesticide sales, $3.63 billion, or 84 per cent, were from U.S. production. This compares to 86 per cent reported for 1983. Correspondingly, 16 per cent of U.S. sales were from non U.S. production (imports), versus 14 per cent in 1983. U.S. sales of non-U.S. production increased from $497 million in 1983 to $703 million in 1984."

Since 1982, the NACA has been working with a coalition known as the Agricultural Chemicals Dialogue Group in preparing and adopting guidelines for advertising and labeling of agri-chemicals exported to developing countries.

The first set of guidelines—for advertising—was adopted in the fall of 1983.

In April, agreement was reached on another set of guidelines covering the labeling of agri-chemicals. These outline information that should be included on labels of chemicals slated for export to developing countries, and the manner in which important health and safety information should be communicated.

The NACA's president, Jack D. Early, in announcing adoption of the labeling guidelines, indicated that those for advertising have already been approved as corporate policy by the ten largest U.S. exporters of agricultural chemicals.

Eventually, both sets of guidelines may affect international agreements on distribution of pesticides, as industry and environmental groups spread information about them to international agencies and groups outside the United States.

Cooperative action of this type is still another indicator of reaction to the many social and economic changes affecting every segment of U.S. agriculture these days—changes demanding new thought, new approaches, often-painful adjustment and new ways of "doing business" by both the farmer and the many business sectors supporting his activity.

This brief survey of American farm and agribusiness fortunes midway through the year, and halfway through the decade has been filled with other indicators.

Representatives of the fertilizer industry listened to the theme of "Challenge" and "Change " put this way—at the 1985 Marketing Conference of the Fertilizer Institute a few weeks ago—by economist Carol Brookins, president of World Perspectives, Inc.

"We always tend," Brookins told the conference, "to look for causes outside of agriculture to blame for all the problems in agriculture.

"We blamed inflation, triggered by the two oil shocks, for the over-speculation in land during the 1970's, just as we blame the dollar for the collapse in U.S. competitiveness in the 1980's. Obviously, both factors are important in terms of the expectations and spending patterns that they generate.

"The plain truth is that American agriculture is going out of business. I don't need to tell you that operating rates throughout the industries that serve our agricultural sector are at levels that—by comparison—make the steel industry look as healthy as IBM.

"The momentum for changing the course of our agricultural policy has been driven by the realization that our old policies are no longer effective and workable. American agriculture must export . . . if it is to survive and grow, and—to do that—domestic programs must enhance that objective." □

Study reveals that radio is 'nearly indispensible as carrier of information'

Communication need greater than ever because of economy

Never has the American farmer had more of a need for information, on a daily—even hourly—basis, than in the shifting, uncertain economic weather of the '80s.

These days, the industries providing the farm operator with information are one of his key inputs—as essential as those providing him with seed, chemicals, fertilizers and machinery.

A study—released this spring—of 1,000 Class 1A farmers (annual gross incomes of at least $100,000) in 37 states, produced results indicating that "radio is nearly indispensible as a carrier of daily information."

92 per cent of those surveyed said they depended on it almost daily for weather information. 82 per cent listen for market information; followed closely by 81 per cent, for general farm news.

The men and women who provide this service, over radio and television stations and specialized networks, bring a highly-specialized combination of agricultural and broadcast professionalism to their farm listeners.

Linked around the country by the National Association of Farm Broadcasters, they continue to maintain a closer, more constant contact with their constituencies than almost any other group of media professionals.

Many are, or have been, farmers and ranchers, themselves. And they find, themselves, these days, increasingly involved in reporting *economic* developments in agriculture, in addition to the traditional information related to markets and weather, which have always been in demand.

In the series of regional reports from NAFB member broadcasters to follow, this increased emphasis is clearly apparent this year.

North Carolina

For the first of its series of 1985 regional reports, TV/RADIO AGE focuses on the Southeast, and a trio of interviews provided by this year's president of the National Association of Farm Broadcasters, Johnnie Hood, who also heads the farm broadcast operations for WPTF and the Southern Farm Net which is located in Raleigh, N.C.

Talking, first of all, to ag finance specialist Bob Collender, of the state's agricultural extension service, based at North Carolina State University, Hood received this overview of the farm financial situation in the southeast . . .

Farmers in his state, reports Collender, are "looking at some pretty rough

Johnnie Hood, r., interviewing guest over WPTF Raleigh.

times, intensified by declines in the stability of the tobacco program and a drop in feed grain exports."

"But, in general, they're in relatively better shape than those in South Carolina and Georgia."

Continues Collender, "Compared to the Midwest, we have smaller numbers of farmers who are in real financial trouble. Incomes have been more stable because of the tobacco programs. But, of course, that's changing this year, and probably will change more in the future. However, we also have a larger number of small farm operators who haven't expanded as fast as they have in the Midwest."

The average income of farmers in Kansas last year was $6,334, down 85 per cent from annual income in 1979.

Cattle grazing on range in Washington, Kan.

USDA photo

"In addition," he told Hood, "farmland values here have been stabilized by incomes in the value of land for commercial and vacation use. But, in just the last year, we've had a fairly rapid decrease in land prices because of expected changes in the tobacco and peanut programs. Decreases reported by our PCAs are averaging about 20 per cent, but price drops as high as 40 per cent have also been reported in our east coastal farm areas."

When asked by the NAFB president about the condition of farm lending agencies, Collender said production credit associations in North Carolina "are doing quite well, though further consolidations are taking place in the southeast, and a few PCAs in south Georgia are not looking terribly healthy because of weather problems in the last few years. In general, though, the southeast is one of the healthiest farm regions, financially, in the country."

Another North Carolina extension specialist, Dr. Bill Eickhoff, surveyed the farm commodity situation recently for Hood . . .

"With a quota reduction for tobacco of about 11 percent this year," reports Eickhoff, "plus an increased assessment to growers of 18 cents a pound, there could be an erosion of $130 to $150 million in our state's net farm income in 1985."

"Cotton production," Eickhoff added, is on the upswing—about 100,000 acres in North Carolina this year. But, because of overproduction and prices at the loan level, profits will only come from participation in government programs. Of course, income from corn and soybeans is not expected to improve because of falling prices."

"But," he continued, "our hog and dairy producers should see improved cash flow, as production costs ease because of lower prices for feed."

When asked by Hood about the immediate economic future for southeastern farmers, Eichkoff had this reply . . . "I believe we'll come out of this situation with fewer, more economically efficient farmers coupled with a shift toward larger operations."

Ending his report from the Southeast, the NAFB president provided another perspective . . . from Carlyle Teague, vice president of the Co-op Council of North Carolina.

"New management at our biggest purchasing cooperative," Teague told Hood, "seems to have turned things around for that organization, with a more progressive outlook and improved morale. Our bank cooperatives, the PCAs, are in the middle of reorganization, and I believe there will continue to be a trend on their part to tighten operations . . . become leaner . . . in response to the pressures affecting all of agriculture in our area."

Indiana

Moving up into the Corn Belt, NAFB's northeastern regional vice president, David Russell, the farm service director for WOWO Fort Wayne had been in Europe covering Secretary of Agriculture John Block's dialog with officials of the European Economic Community—the latest step in government efforts to find ways for improving the gloomy farm export situation.

From a week-long schedule of interviews, press conferences and meetings in the Netherlands, Belgium and France early in June, Russell shared segments of special programming prepared for WOWO farm audiences, highlighting the Secretary's participation in meetings with EEC officials and his appearance at a session of the World Food Conference.

WOWO's David Russell

At a press conference in Paris at the end of his trip, Block—as heard in Russell's reports—termed the round of discussions "constructive and useful for both sides."

"Both Europe and the United States," Block told those covering the trip, "realize that the costs of subsidies are becoming excessive. I believe we're both positioned now to find ways to reduce the costs of farm program supports . . . relating prices more to supply and demand in future years."

Added the Secretary: "Of course, the issue of trade war has been in the news . . . but both Europe and this country believe that trade wars only benefit the buyers of the products—certainly not the sellers—and we're the sellers . . . so we need to look for ways to reconcile differences and avoid trade wars."

There was much discussion in Europe, Russell reports, about the U.S. export bonus program. When the Secretary of Agriculture was asked whether our government would withdraw the program, if the EEC might make some agreements designed to resolve our trade differences, this was Block's reply . . .

"If we were convinced," he said, "by more than just words, that some agreement could be reached, whereby it was clear that we were going to be able to resolve our differences . . . and work toward some kind of discipline in international trade that makes sense, then I think that, over a period of time, we could back away from the export bonus program."

"However," he emphasized, "I need to make it very clear that this is not only an Administration program, but it is a congressional program, and the Congress is going to insist on some results. The Administration cannot back away from this, unilaterally. It's going to take a commitment on the part of all of the United States. So, I can't tell you exactly how much progress must be made, before we step back from our bonus program."

Regarding European reaction to American interest in improving the farm balance of trade, Block said "the change in attitude in Europe in the last three years, is dramatic . . . because there is an appreciation today . . . that there wasn't three or four years ago . . . that domestic farm programs have an international impact, and that farm subsidies are getting out of hand . . . that we need to relate more to market prices than to government dictates."

"These are all important steps in the right direction," said Block, "and—since this much agreement is there, maybe we can build on it . . . but it's certainly too soon to predict that we can resolve things, right now."

During the trip, the Indiana farm broadcaster received a slightly less positive reaction to U.S. export bonus policy, during an interview with the EEC's commissioner for external relations, Willi DeClercq.

DeClercq told Russell, "We're still studying the plan and its possible impact on the community. But my first reaction is that the way things were presented and announced . . . as a means of fighting so-called EEC unfair practices in agricultural exports . . . has hurt us. Because it's not true. Subsidies are only one of many ways in which agriculture is supported. The United States, Japan . . . we all protect our agriculture. You can like it, or not like it, but that is the reality."

"And," DeClercq told Russell, "we're aware of an undeniable surge of protectionist feeling in the Congress. That's also a reality. So, we should do everything we can to help the United States authorities fight back that surge."

"Because," added the ECC official, "you cannot advocate international negotiations aimed at liberalizing trade and rolling back protectionist measures on the one side . . . and—on the other side—accept, or increase, protectionist measures in your own country. And, for the moment, that's something we fear is going to happen."

Illinois

From the southwestern section of the big corn belt state just east of the Mississippi, the NAFB's Max Stewart, farm director for WSMI Litchfield, Ill., surveys the critical farm economic situation in his area with Dr. John Scott, a specialist in land value and farm management at the University of Illinois.

Because Scott also is involved extensively in appraisal of farmland throughout the state, the WSMI farm director focused on the effect of plummeting land values on what both men agreed were "catastrophic" farm economic conditions in the key farm state this year.

WSMI's Max Stewart

"There's no question," commented Scott, "that the equity and collateral of a great many of our farm producers has been seriously eroded. At the high time, there were farms, particularly in northern and central Illinois, where land was selling as high as $4,000 an acre. Some of that land is now selling for only $2,000, or $2,400. If there was a mortgage on that farm, of, say, $1,500 or $2,000 at that time, with 50 per cent equity, it would have been considered very good by most businessmen."

"Now," Scott said, "you take 40 per cent off the price, and you're down to an equity that is either zero, or only a fraction of the previous equity."

As banks acquire more land following foreclosures, Scott reports that often "the interest that they were getting on those mortgages was more than the rent that they can receive from that land, so lenders are losing money on a cash-flow basis on those land acquisitions."

One result of the current down-side of the land cycle, predicts the University of Illinoise expert—"Some of this land may be picked up by non-farm investors during this period of lower prices . . . by large institutions such as pension funds and insurance companies."

In response to a question from Stewart about agri-education's efforts to help younger, entry-level farmers avoid problems, Scott said, "One of the things we've built into the appraisal business is what we call the financial approach, which must be added to the standard considerations traditionally used by appraisers."

Continued Scott, "The financial approach is based on the question—What can this farm support with regard to mortgage debt and equity return? We're commending that the equity return should be at least equal to the real rate of interest, and the mortgage return should equal the mortgage payment. Those two returns, depending upon the proportion of equity, will give you the amount of money that the farm must support, from a cash-flow basis."

In a year marked by negatives and question-marks related to the future of American agriculture, Max Stewart also shared some upbeat comments from the national vice president of the Future Farmers of America—20-year-old Nanci Mason, of Mississippi, interviewed by Stewart during a recent state FFA convention in Champaign.

"We may be on the back-swing of the pendulum," Mason told Stewart, "but I believe it will soon be swinging forward again."

"All of us in agriculture," she said, "need to look toward the positive, because, if we keep looking toward the negative, it will, indeed, continue to surround us."

Iowa

Nowhere is the farm financial picture darker than in the center of the corn belt—Iowa. From his base of operations in Des Moines, a veteran member of the NAFB, WHO's farm director, Keith Kirkpatrick, provides a look at a bill, just introduced in Washington by Republican Congressman Cooper Evans, designed to address both the critical shortage of capital in the farm credit system, and the lack of a strong central cash reserve that can be used to strengthen problem institutions, both in the hard-hit Omaha district and throughout the entire system.

The new legislation is now being studied by the Conservation credit Sub-Committee of the House Agriculture Committee, with hearings expected in Iowa by mid-summer.

WHO's Keith Kirkpatrick

In a special report from a member of Evans's staff, Kirkpatrick learned that the core of the bill "would allow the farm credit system to establish a $5 billion central reserve, to be used at the discretion of the system's governor, to rescue member institutions."

"The reason these PCAs and land banks are turning to their borrowers for assistance," said the congressman's press secretary, "is because they're short on capital, and are having difficulty covering their loan losses. The current solution is to freeze borrower assets and raise interest rates."

"Congressman Evans," explains aide Terry Michaelson, "believes that, instead, Congress should approve legislation which would give the farm credit governor cash, to use for direct support of problem institutions."

"Other parts of the legislation," he told Kirkpartrick, "deal with structural weaknesses of the system."

Arkansas

Further to the south, another longtime farm broadcaster, John Philpot, serving member stations of the Agri Radio Net from his headquarters in Little Rock, reports on a new alternative crop providing some income relief for farm producers in Arkansas, Mississippi and Louisiana.

For this series of regional surveys, Philpot learned details of the increasing production of catfish by farmers throughout the mid-South from Bob Durborow, area extension fisheries specialist at the Delta Branch Experiment Station in Stoneville, Miss.—a

facility of the Mississippi State University cooperative extension service.

"Mississippi," Durborow told the NAFB's Philpot, "produces about 192 million pounds of catfish a year. Special processing plants prepare about 150 million pounds for shipment to commercial markets."

"For example," says Michaelson, it would tighten collateral requirements, require outside audits—both of the farm credit system in its entirety—and of individual lending institutions, and it would set lending limits."

"Recently, a Nebraska production credit association was forced into liquidation when just one of its borrowers, who held 20 per cent of its outstanding loan portfolio, went bankrupt. The new legislation would help institutions in the system avoid that type of problem."

In addition, there would be an expansion of the enforcement powers of the Farm Credit Administration.

Agri Radio Net's John Philpot

The centerpiece of the proposed bill—creation of a central reserve—would provide for a change from current procedures, where one segment of the system, faced with problems, must depend on other segments for assistance.

Although Mississippi is the leader in catfish farming production, production is growing steadily in Arkansas and Louisiana, as farmers look for new sources of income.

Durborow told Philpot, "It costs about $1,200 to construct a pond for catfish. Right now, the price paid to the farmer is about 70 and 80¢ a pound. Production of costs—including land purchase and construction—is about 55¢ a pound. So, profits are pretty good, right now."

Adds Durborow, "The catfish are fed a formulated type of feed, made up mostly of soybeans, fishmeal, corn and several other ingredients. Once in production, the fish can be harvested year-around, replacing those harvested with smaller ones. Good harvesting size is about a pound and a half. But, initially, it takes a farmer about two years, from start-up to harvest, to raise his first crop."

Durborow estimates that about 65,000 acres in Mississippi are now being used for catfish production. Alabama and Arkansas each have about 12,000 acres, and acreage is increasing rapidly in Louisiana.

Most of the markets, he says, are in the South, with demand on the upswing in the Chicago area.

The Arkansas farm broadcaster also talked with the head of one of the state's production credit associations—Bob Koch, president of the Pioneer PCA in Stuttgart, Ark.

Koch reports that 90 per cent of the farmers covered by that agency were funded for production this spring. And he told Philpot: "I feel we have a pretty good portfolio of loans. But there are still many farmers with problems, particularly in the eastern part of the state where the value of farmland has declined. Some have indicated that—if they can't see improvement sometime in '86—they'll not risk further equity."

Surveying Arkansas farm prospects with Bill Bryant, vice president for distribution of the Southern Farmers Association—a supply cooperative in North Little Rock, Philpot received this assessment.

Reports Bryant: "It's a close, tight year. We missed a lot of fertilizer sales last fall, because of weather conditions in our area. But we expect to wind up—in dollar volume—just about where we did last year. Cattle producers seem to be fertilizing their pastureland somewhat better than last year. Fewer acres of milo and wheat have been planted this year, compared to last, and that has affected nitrogen sales."

Texas

In the big farm state of Texas, John Burrow, farm director of KGNC Amarillo, provides comments on the situation in his area, from three different sources.

The Amarillo farm broadcaster talked, first of all, to Bob Robinson, extension agent for Randall county, based in Canyon, in the Texas panhandle.

Says Robinson: "We have about 30 per cent of our farmers in a dire financial situation when you look at their equity situation in relation to their debt. But the survivors have already been forced to make adjustments. Most of our farmers have been making adjustments for some time because of the scarcity of water in our area. Their decisions are based on the amount of dollars made, or lost, rather than on the amount of the yield."

KGNC's farm director discussed the farm financial situation in his area with the president of the Amarillo National Bank, Richard Ware. "In the panhandle," Ware reports, "the cattle market's recent declines have hurt us, and farm losses throughout the area are affecting other segments of the economy in Amarillo."

Continues the Texas banker: "We think our farmers will have the most problems on into '86. The ranchers should be in good shape. There's still equity there, and even though losses are showing up now in fat cattle and some stocker cattle, we see continued hope in the cattle markets for profits. So, cattlemen should have an easier time borrowing money, and prospects today look good, even though there still is some risk."

"Farmers, however, though they've been helped by good moisture, still are

KGNC's John Burrow

being hurt by falling crop prices, and they'll be asked to look more closely at their expenses, as they find their collateral values—whether on equipment or land—continuing to fall. It's generally going to be tougher to get a farm loan, in the future."

When the NAFB's Burrow asked Ware about the condition of banks in his area, the Amarillo banker replied . . .

"They're actually stronger than people realize. Bankers have been prudent in shoring up their loans, or—if the values aren't there—charging off the loans and taking the losses over the last couple of years. Most of our banks have taken a conservative posture early in this critical period, so I think we have long-range strength in the financial system in this area."

With prospects for a record wheat crop in Texas this year, Burrow asked Bill Nelson, executive vice president of the Texas Wheat Producers Association for his comments:

"We expect," says Nelson, "that we will have problems in finding markets for that much commodity, particularly when we already have over a billion and a half bushels of carryover stock. Wheat is now the number one acreage and dollar crop in the state, and about 90 per cent of it is exported—because of our proximity to ports—so exports are of real concern to us."

"As a result," Nelson adds, "our wheat farmers incomes may depend more on the success of government export and trade policies than on traditional acreage controls, or price support programs. We're watching developments connected with the new farm bill closely. Most all the proposals call for some type of market-oriented loan rate program. If a program of that type becomes part of the bill, then that—in itself—guarantees more income, in terms of price, for at least five years, and maybe longer. We'll also be concerned about export development programs, and how they'll be funded, in the new farm legislation."

Kansas

From farther north in the Plains region, next year's president of the National Association of Farm Broadcasters, Ken Root, reports farm front developments in his area from his post as farm director at KWCH-TV and KBS in Wichita-Hutchinson.

"Some five to nine inches of rain in June, delayed the beginning of our wheat harvest," said Root, "and that is definitely going to hurt the test weights this year . . . as well as the yields per acre in some of those damaged fields. Still, the crop—statewide—is expected to be very large in '85, about 452 million bushels.

"Kansas agriculture is at Depression-or-below levels. Last year, the average income of farmers in the state was $6,334, down 85 per cent from his annual income in 1979. About half our farmers are in a financial situation that is comparable to being unemployed. In the northeastern part of the state, farmers fared the worst last year, losing an average of $2,000 in income."

In addition, the value of Kansas farmland has dropped sharply, falling 21 per cent in the last year. Because of this, the NAFB president-elect reports that Farm Credit System officials in Kansas have become concerned that many of their borrowers are no longer solvent. Made up of cooperatives, the system is involved in changes which officials feel are necessary for survival . . . changes designed to produce $17 million in savings for the four-state region covering Kansas, Colorado, Oklahoma and New Mexico.

For details on that change, Root shares highlights of a recent interview with Monte Reese, a vice president of the Farm Credit System.

Ken Root of KWCH-TV and KBS radio

"The need for change was speeded up," Reese told Root, "by the crisis in the farm economy, but we needed to make these changes, anyway."

"Over a year ago," said Reese, "we announced a move to consolidate our three-bank management into a single management team. At that time, we indicated we'd be reducing the numbers of

Production Credit and Federal Land Bank Associations from 37 in one, and 34 in the other, down to 15 in each . . . with common territories."

"Originally, that plan would have taken place over three to five years. But, in light of the current situation, it seemed to us that further consolidation was necessary, to provide the best service to agriculture, over the long run. So, we've reduced all the way down to one, and that's the plan underway now."

Our headquarters," continued Reese, "will probably remain in Wichita. But we will maintain what we're calling Farm Credit Service Centers, handling a number of different functions."

"They'll be located throughout the region, and—once the plan is complete—a farmer will be able to go to one office in one community for his different type of financial needs, where—up to now—he might have had to travel to several. Explained Reese: "It's a combination of decentralizing the loan-making decisions, bringing those decisions as close to the farmer as possible, while, at the same time, centralizing policy-type decisions, so they don't have to be made over again, a number of times."

"In addition, we're also setting up eight work groups—made up of farmers and ranchers—who will help decide on location of the new service centers, and provide other advisory input. We feel the new plan will enable us to be more efficient . . . enabling us to move resources more easily to areas where they might be needed."

Root noted tht the new plan must be approved by the system's stockholders, targeted for January.

South Dakota

In the upper Plains area, the NAFB's national vice president for the North Central region, Tom Steever, added comments from three other observers, from his base of operations as farm services director of KSOO Sioux Falls.

For an update on South Dakota's land value situation, Steever interviewed Dr. Brian Schmiesing, a researcher in grain marketing and agribusiness at South Dakota State University.

"Farmland in the state," reports Schmiesing, "is marked by variety. In the southeastern section, we've seen a lot more stress from declining land values than we have in the western part of the state where the run-up in land values is not the same. There's more stress in the cash-grain production regions in the Southeast, and for small-grain producers in the Northeast, than in the West, where dry weather—more than shifting land value—is causing problems.

In surveying the financial situation in his area for Steever, Marv Doering, assistant vice president of First Bank of South Dakota reported, "This year, in this area, crop-wise, we're probably in better shape than we have been in the past several years, though dry weather and grasshoppers in the western part of the state have caused trouble for producers, but I'm sure we're not going to have anywhere near an average, or a bumper wheat crop, at all."

"Prospect of low prices," said Doering, "is the most discouraging thing facing the customers of my bank. We're in an economic shakeout, and we have to take a look at each unit of production as it comes out of this so-called factory that the farm really is. That unit costs you so much to produce, and you're only going to get so much for that unit, in return."

"In farming," added Doering, "we don't set the price, so we've been able to increase our income only through greater production. Now, we need to do something, to change the price per unit."

In another interview with an area banker, the KSOO farm services director received these observations from Don C. Anderson, senior vice president and agribusiness manager for Norwest Bank in Sioux Falls:

"The FHA guarantee program is one of a number of things being tried, to improve the situation. We've had some success, in that—along with using that program—there's been some partial liquidation of some debt, in order to make things look more feasible as far as cash flow. We've used that . . . along with a number of other things . . . trying to turn operations around from the standpoint of losses, hopefully, into some possibility of positive cash flow."

California

Out in the key farm state of California, the NAFB's national vice president for the West—Terri-Rae Elmer, agribusiness editor for KFBK Sacramento—winds up this series of regional reports from her listening-post in the state capital.

Striking what could very well be called the theme of the U.S. farm producer in '85, Richard Courtney, vice president and senior economist of the Bank of America—in an interview with Elmer—identified this year, for California agriculture, as "a year of adjustment."

Both The NAFB vice president and the Bank of America vice president agree, that the perception that problems

Herbicide and insecticide prices

Price per lb./ active ingredients

Pesticide	1983	1984 (dollars)	1985	Change/ '84 to '85 (per cent)
Alachlor	$4.88	$5.10	$5.05	−0.1%
Atrazine	2.45	2.19	2.03	−7.3
Butylate+	3.22	3.34	3.07	−8.1
Cyanazine	NR	4.35	4.48	4.2
Metolachlor	NR	6.06	6.04	−0.3
Trifluralin	7.80	6.90	6.40	−7.2
2, 4-D	2.71	2.46	2.39	−2.8
Composite*	4.53	4.21	4.02	−4.5
Insecticides:				
Carbaryl	$3.60	$3.70	$3.86	4.3%
Carbofuran	9.88	10.09	10.15	0.6
Chlorpyrifos	NR	8.38	8.20	−2.1
Fonofos	NR	8.46	8.76	3.5
Methyl parathion	2.66	2.88	2.86	−0.7
Phorate	NR	6.04	6.48	7.3
Synthetic pyrethoids	66.00	55.20	56.00	1.4
Terbufos	NR	9.20	9.71	4.5
Composite*	10.26	9.72	9.99	2.8

** Includes above materials, and other major materials not listed.*
Source: Average U.S. farm retail pesticide prices for March, 1985, based on a recent pesticide retailers survey conducted by the Statistical Reporting Service, USDA, and other sources.

on the farm front in California are not as severe as those in other farm sections of the country is one that's not really true.

KFBK's Terri-Rae Elmer interviewing Bank of America v.p., Paul Schwartz

Forecasts by the Bank of America project exports as "remaining stagnant" this year at about $3 billion dollars, considerably below the record total of $4.3 billion, in 1981. Net farm income, project the bank's economists, should increase only 1.4 per cent this year, to a level of $3.75 billion.

And Courtney told the KFBK agri-business editor, "We feel that 1985 will be another year of continuing financial stress for many farmers in California.

"It's really a profitability crisis," he points out, "a more accurate description of what many refer to, as a financial, or farm credit crisis."

Returning to a discussion of adjustments taking place in the farm economic situation—both in California, and in other farm areas—Courtney listed several . . . easier entry of younger farmers, because of lower land prices; and "down-sizing" of many farm operations, to cut costs and cope with smaller markets.

Emphasizing the serious situation facing many California farm producers this year, Elmer received some disturbing statistics regarding agricultural loans, in another radio interview, this one with Paul Schwartz, who is a Bank of America vice president and regional credit administrator for the Sacramento valley region.

Non-performing loans

Reported Schwartz, "Out of the 25 per cent of farm loans being criticized (showing weakness) in our portfolio, about half of those, or about 12.5 per cent, would be in a non-performing category. That is, specifically, they are not making principal or interest payments. And," he continued, "we further estimate that another half of that, or maybe 6 or 7 per cent, probably are going to have an impossible time surviving."

All in all, rather grim figures supporting the fact that the farm financial situation is no better in California than in other key farm states farther east. □

Farm production expenses

10 leading states, 1983
(million $)
(including farm households)

Rank	State	Amount
1	California	$11,500.1
2	Texas	9,868.1
3	Iowa	9,219.2
4	Illinois	6,907.9
5	Nebraska	6,420.0
6	Minnesota	6,117.5
7	Kansas	5,781.7
8	Wisconsin	4,839.1
9	Indiana	4,343.5
10	Missouri	4,117.5

Source: State Income and Balance Sheet Statistics January, 1985, Economic Research Service, USDA

Strong chemical and animal health product business, shifts from print help

Farm broadcasters are faring better than farm operators

BY GEORGE SWISSHELM

Farm broadcasters appear to be weathering 1985 far better than farm operators.

Reports from agencies, reps and stations indicate a number of factors are helping farm radio and television withstand a generally depressing farm scene. Among them:

- Strong chemical and animal health product advertising.
- Some shifting from print to broadcast.
- Positive effects of the National Association of Farm Broadcasters newest study, from Rockwood Research Corp.
- A move by some advertisers to protect market share.

One of the more upbeat reports comes from Al Hietala, executive vice president and supervisor of the agricultural division of Colle & McVoy Advertising, Minneapolis. "Though we've seen a decline in total agricultural budgets," he says, "that decline primarily affects print. Broadcast spending is up, probably 15 per cent in radio and television; and one client is trying television for the first time."

The reason for the greater emphasis on broadcast, says Hietala, is that "Clients have found that it pays to localize and get closer to their customers. The dealers appreciate this kind of support."

In St. Louis, Ted Haller, associate media director of Kenrick Advertising, reports that, "Some clients have pulled in their horns, but others haven't." Haller adds that more farmers seemed to be holding on to their dollars longer before buying this spring, "asking themselves whether a particular product was largely cosmetic, or was it actually going to increase their productivity."

But this, he points out, "didn't stop the farm chemicals—not as far as we could tell from a check we ran on first quarter advertising. The noise level for the chemicals remained the same as first quarter '84, though it's true that most first quarter plans and commitments were already in place and in motion before most of the bad news surfaced."

At the Houston office of ad agency, Allen & Dorward, Houston, Lee Bullis, vice president, agricultural consultant, concedes that some farmers who overextended themselves to buy more land have been hurt, but says he continues "to be optimistic about the business of farming.

There have been shifts to fewer and larger farms being operated by fewer and bigger operators. But this has been an ongoing process for decades. The beneficiaries are the big operators with a lot of equipment who can enjoy economies of scale."

While crop chemical advertising is holding up well, machinery business is depressed

From the radio reps' point of view, Bill Alford, senior vice president, agribusiness and state networks for Blair Radio, reports a good first quarter. "Head-to-head, for the same stations we also worked for last year, we were up 32 per cent, primarily from the crop chemicals, which account for about 60 per cent of our farm revenue."

Alford also notes that chemicals and seed "are must-buy resources that farmers have to have every planting season—as opposed to machinery.

Most can usually make do with what they have and put off buying a new tractor until 'next year'."

At the Keystone Radio Network, chairman Nick Gordon reports 1984 farm business 20 per cent ahead of 1983, "which was a continuation of our usual steady year-to-year increase in recent years. But as of early June this year, based on what was already on the books, our 1985 farm business so far has been 43 per cent ahead of 1984." And Gordon also finds that most of this has been from farm chemicals and animal health products.

At DFS/Wegener Agricultural Group, Paul Richey, vice president, associate media director, reports "running more radio this year than last," and that in at least one case, "a good piece of money

Tractor disking land on Idaho farm

Lee Bullis *of Allen & Dorward says those best positioned to survive in tough times are "the big operators with a lot of equipment, who can enjoy economies of scale."*

that used to go to TV was switched to radio."

For one client, Richey says the agency produced a two-minute "mini-program" on how innovations such as conservation tillage would change agriculture in the future, and that this was taken by a number of radio stations.

Richey also believes that, "Clutter probably has as much as media rates to do with some clients' disenchantment with television. Especially during first quarter on some TV stations in the Midwest, the local news shows are loaded up with chemical advertising."

At Bergelt Advertising, media director Harold Walters says his agency has been heavier in radio this year, with "some very successful fourth and first quarter campaigns for new animal health products from Hoffmann-La-Roche that recently got FDA clearances." Walters notes that the company has been in the feed lot market all along, but that with these new clearances it's now expanding into the pasture market as well. He calls radio "particularly useful because it's helped us target the feed lot manager we're interested in reaching, without having to buy horizontal publications that reach a lot of people besides the feed lot managers. On top of that, the radio people know that the farm economy isn't that great for a lot of their other advertisers, so they've been smart enough not to press for rate increases."

He adds, though, that there haven't been any decreases either, and that rates are also fairly stable among farm magazines. "It's tough," he explains, "to defend a rate increase when circulation is down."

On the other hand Eleanor Noble, media director at The John Volk Co., Chicago, reports that only one account—one selling seed corn to corn producers—is spending more in radio this year, while two other agricultural accounts are spending less. She adds that spending in farm magazines is "holding its own, with the exception of the equipment manufacturers, whose spending is down."

Noble also says that the agency has used television "occasionally in the past for some farm accounts, but we haven't done any TV yet this year."

Nevertheless, with some agency complaints about "chemical clutter" on some midwestern TV stations, television isn't having a bad year either.

Dick Giltner, vice president and director of Blair "Television's Chicago-based agri-marketing sales unit, describes television as "holding up well," and says he's seen "more plusses than minuses." Giltner concedes that the implement manufacturers "are on the sidelines," but notes that farmers "are planting as extensively as they always have." He points out that following hearings on the plight of farmers, the Illinois State Legislature set up a special $25 million loan fund to help farmers buy seed and chemicals for this spring's planting. "Yet only one tenth—$2.5 million of that available money—was applied for before the time limit for loan applications ran out. So apparently things aren't quite so bad for at least some of the farmers."

Similarly in Iowa, farm directors Craighton Knau and Mike Leporte of KMA Shenandoah report that though one state university economist had predicted that as many as 15 per cent of Iowa farmers were about to go out of business, they stuck with their own much lower estimate of 5 to 7 per cent of

Ted Haller *of Kenrick Advertising says more farmers seemd to be holding on to their dollars longer before buying this spring.*

Al Hietala *of Colle & McVoy Advertising reports that broadcast spending is up "probably 15 per cent."*

Iowa farmers who wouldn't be able to qualify for bank loans to start their spring planting, and that they were the ones who turned out to be right.

Farm radio, emphasizes Knau, a past president of the National Association of Farm Broadcasters, "continues to operate. We continue to have a viable and interested farm audience. It is a more attentive audience each day. With new rules and changes in the old ones, where else are farmers, bankers and agri-businesses going to go for information? They sure aren't going to be able to wait around two weeks or a month for a magazine to come to their mailbox."

Thus, Glenn Kummerow, vice president, director of agricultural services for Katz Radio can report that radio "did well for first quarter, then second quarter started slow. April dipped, but then May rebounded, then slowed down at the beginning of June. Even so, second quarter will be slightly ahead of last year."

Fewer stations

Kummerow observes that where there have been cutbacks by some advertisers, "It's been mostly a matter of trying to cover the same geography with fewer stations. That means that the stations with the strong signals are generally doing as well or better than ever, but that some stations with signals and coverage that aren't quite so strong have been left off of some advertisers' lists this year."

At Eastman Radio farm director Ken Gioia says farm radio business is running a little behind last year and notes that "The big headlines about some farmers who can't get bank loans to buy seed doesn't give a lot of incentive to advertisers to boost budgets to advertise to farmers."

On the other hand, Gioia says he's optimistic for next year: "For one thing, we hope the economy will improve. But on a more concrete level, I think the NAFB's new Rockwood study that shows how farmers listen to radio will persuade more advertisers to take a better look at radio."

Gary Ahrens, farm specialist for McGavren Guild Radio, calls ag business "spotty," with some stations up and others down, "so that 1985 gets mixed reviews, and we remain cautiously optimistic for this year as a whole."

But Ahrens says he's "very optimistic" for next year, "because several major companies have new herbicide and pesticide products in R&D that they plan to introduce next year. Introduction means ad support, usually in radio, TV and print."

Ahrens also notes that for the past two or three years, "so many farmers have been holding their equipment together with bailing wire that eventually, they're going to have to buy new machinery—in '87 if not '86."

This, he says is why McGavren Guild is adding Lee Bullis as director of agricultural marketing now, "to get ready for 1986 and '87, which we think will come back as strong years for agri-marketing."

Blair's Alford reports that a number of accounts have come back to radio, "because TV rates have gotten so high that some companies can no longer afford the frequency they need to make television work for them." Alford adds that some new chemical companies have come into radio for the first time, "because they've recognized that radio is a more economical way to target farm managers effectively.

At the same time, though, business from the machinery manufacturers

Interest on farm mortgage debt

10 leading states, 1983 (million $)

Rank	State	Amount
1	Iowa	$842.8
2	California	828.9
3	Illinois	647.9
4	Texas	563.7
5	Minnesota	559.0
6	Indiana	472.3
7	Nebraska	418.1
8	Kansas	397.0
9	Wisconsin	386.4
10	Missouri	383.6

Source: State Income and Balance Sheet Statistics January, 1985, Economic Research Service, USDA

U.S. trade balance

(million $)

	October–March 1983/84	October–March 1984/85	March 1984	March 1985
Exports				
Agricultural	$20,903	$18,887	$3,825	$2,801
Non-agricultural	81,789	89,989	15,267	16,964
TOTAL	102,692	108,876	19,092	19,765
Imports				
Agricultural	9,261	10,127	1,736	1,945
Non-agricultural	139,044	151,254	25,749	26,569
TOTAL	148,305	161,381	27,485	28,514
Trade balance				
Agricultural	11,642	8,670	2,089	856
Non-agricultural	−57,255	−61,265	−10,482	−9,605
TOTAL	−45,613	−51,505	−8,393	−8,749

Source: EMS/USDA, June, 1985

continues to be minimal."

But whatever heights TV rates may have reached, business is still there for the television stations. Kent Francis, director, agri-marketing, for Petry Television, Chicago, reports business "up slightly, though not as much as we had hoped." He points out that a number of agency changes by accounts such as Ciba Geigy, Uniroyal and ICA have kept dollars idle, and estimates that "next year could be better, if, as we hear, the Environmental Protection Agency gives clearance to a raft of new chemical products. And when there are new chemical or seed products from one of the major companies, the introduction usually includes television."

Jim Hunt, director of market development, Midwest, for Katz Television, describes the TV business from farm chemicals this year as "flat, against a 10 to 15 per cent increase last year. But business is not down. Even though there are fewer farmers, those who remain are planting just as much land, and they need just as much chemicals and seed to do the job."

Print erosion

Thus, continues Hunt, in spite of all the bad news about the farm economy in general, "television and radio continue to carve small slices out of farm print every year. Over the past four years print has dropped slightly, from 44 per cent to 42 per cent of all agri-ad dollars; TV has gained a little, moving up from 13 per cent to 15 per cent; and radio is up from 14 per cent to 15 per cent."

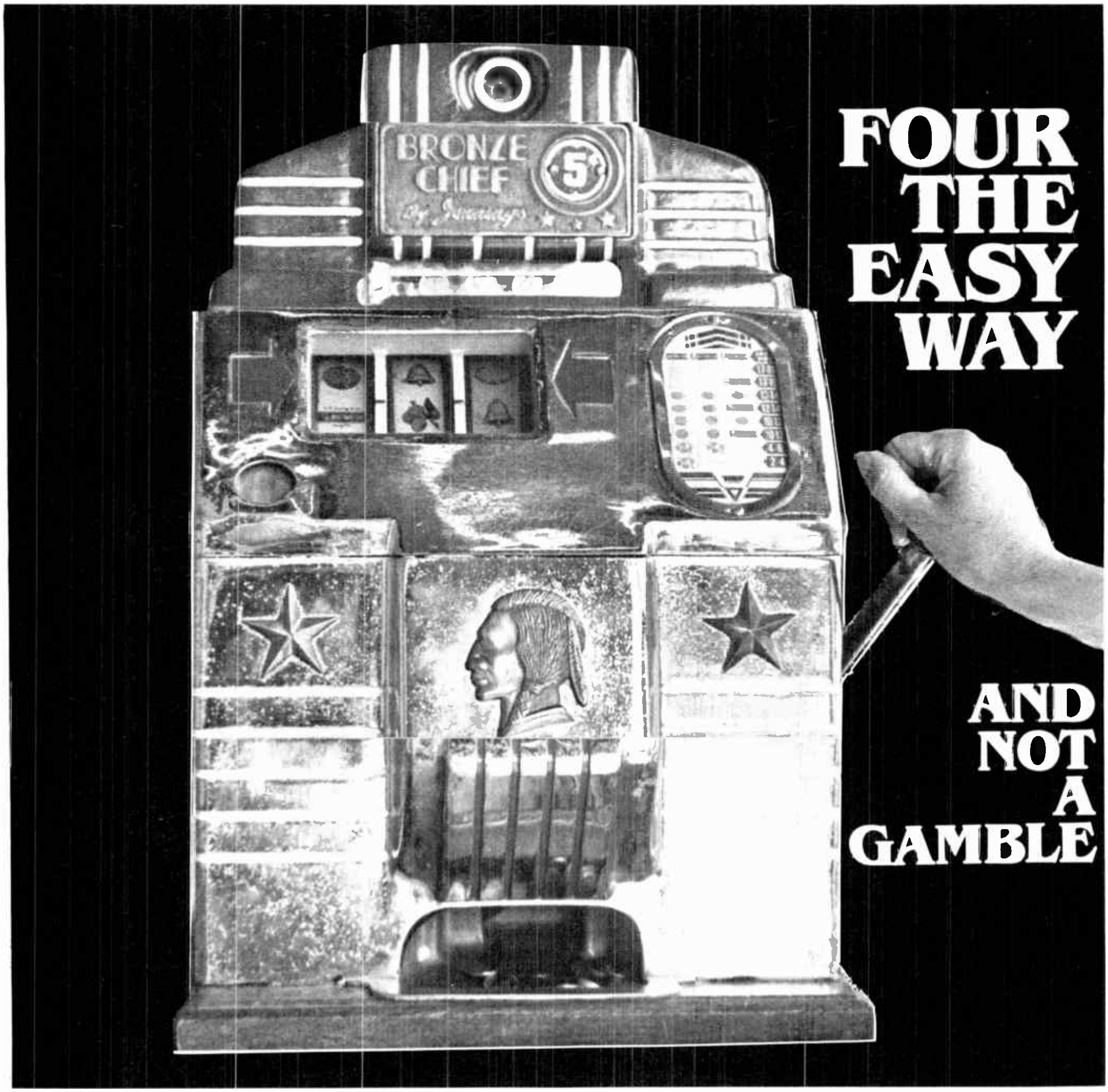
Kenrick's Haller reports that, during first quarter, radio moved at about the same level as last year, "with most chemical advertisers placing eight to 12 spots a week over six to 12 weeks in the major farm markets." He adds that, "Television and magazines didn't slow down either."

Blair's Alford observes that the pockets of prosperity and poverty within the general farm economy "are not mainly a matter of geography, or one crop as opposed to another. The farmers who are doing well tend to be those who've been around for a long time, who bought their land and equipment at more reasonable prices than today's. Those who are taking it on the chin are the younger farmers who bought their land or added to it a few years ago when land prices were at their all-time peak. But since then they've seen land values erode and their debt pile up out of control. So it's the veteran, well-established farmers who are still hanging in there."

Specifically, at Allen & Dorward, Bullis reports that Shell Chemical "had a good year last year. They anticipated a good 1985, and so far it's worked out that way for them."

Katz's Hunt concedes that when things get tough, TV can be the first to go, "since some farm advertisers don't understand television quite as well as the good farm agencies do. So TV sometimes has to be a constant sell, compared to farm radio and magazines, which can both narrowcast and seem like more natural buys to a good many agricultural clients."

On the other hand, Hunt points out that one of the major advantages of television is that "nothing else builds awareness of new products so fast. Its



wibw tv
TOPEKA, KANSAS 913-272-3456

580 radio wibw
TOPEKA, KANSAS 913/272-3456

710 radio kgnc
AMARILLO, TEXAS 806/355-9801

KAN Kansas Agriculture Network
TOPEKA, KANSAS 913-272-2199

One-armed bandits are fine for gamblers, but you need more than luck when placing important farm broadcast buys.

At the four Stauffer Broadcast Division "farm operations," we have a solid commitment to serving agriculture. In Topeka, Kelly Lenz, Kathy Patton and Paul Pippert provide daily farm programming on WIBW-AM and WIBW-TV. Rich Hull and Mark Vail air sixteen farm reports daily on the Kansas Agriculture Network. In Amarillo, John Burrow, Radonna Long and Karr Ingham keep farmers and ranchers in the Texas Panhandle informed.

Don't gamble with your farm advertising dollars, your payoffs are the Stauffer Broadcast Division "farm operations."

NAFB

BROADCAST SERVICES OF STAUFFER COMMUNICATIONS, INC.
Jerry Holley, Vice President - Broadcasting

Farm & agri-equipment retail sales

	1984	1985*	1986*
All farm tractors	117,734	114,500	117,000
2WD farm tractors, under 40 HP	51,000	50,000	51,250
2WD farm tractors, 40–100 HP	38,253	36,750	38,750
2WD farm tractors, 100 HP & over	24,495	23,000	24,000
4WD farm tractors	3,975	3,500	3,800
Self-propelled combines	11,422	10,500	11,000
Cornheads	6,419	6,100	6,500
Balers, under 200 lbs.	8,314	7,750	7,950
Mower-conditioners	13,057	12,500	12,800
Forage harvesters	3,538	2,950	3,100
Windrowers	2,591	2,500	2,600
Grinder-mixers	2,349	2,400	2,800

** Forecast/ FIEI membership survey*
Source: Farm & Industrial Equipment Institute State of the Industry/ Update May, 1985

intrusiveness lets a new product reach all of its target prospects over four weeks."

Doug Cooper, farm director at KWMT Fort Dodge, Iowa, observes that a good many new products are in development that will reduce a farmers' operating costs by increasing their productivity in terms of "yield per acre, or milk per cow." He notes that these new products will be "natural targets of farm radio sales forces. But, long range, they can have one negative and one positive effect for farmers."

On the one hand, he explains, as farmers raise productivity, "They add to the surplus that tends to depress the prices farmers receive for their increased crop yields. On the positive side, those low prices for a big enough increase in yield can help make our farmers' products more competitive in foreign markets in the face of foreign governments' protective measures favoring their own farmers, and in the face of a strong U.S. dollar that in effect raises the prices foreigners pay for any U.S. product, agricultural or otherwise."

In any event, Cooper observes that experimental farms, public and private, from those at state universities to Land O'Lakes' Answer Farm in Iowa, are testing new feeds, seeds and genetic engineering techniques that not only boost numbers of bushels per acre, but produce seed strains that make the cash crop immune to the sprays used to kill the weeds among the seeds, thus making these crops much easier to take care of.

Petry's Francis notes that the EPA specifies what crops newly developed chemicals can be used with, and that EPA is pushing for state certification of farmers permitted to use certain types of chemicals, with bills to this effect making their way through the legislatures of a good many states.

He points out that, while certification can be an expensive educational process for the chemical companies, and time consuming for farmers who would be required to pass a test, certification "could be a plus in the long run, if it helps the public feel that these chemicals are not being misused or over-used, and that farmers aren't polluting the air and water through haphazard spreading of herbicides and pesticides."

New media research

Eastman's Gioia explains that while the 1983 Comprehensive AgriMedia Measurement Study (CAMS), conducted by Doane Marketing Research of Princeton, N.J., showed who listens to radio, the new study, conducted by Rockwood Research Corp. of St. Paul, Minn., "tells us how farmers listen, how attentively they listen and how they listen to the entertainment on the stations as well as to the farm and market reports. That helps us sell the whole station."

Blair's Alford, who chairs NAFB's Research Committee, agrees that the Rockwood report, entitled, *To Determine the Value of Radio to Farmers*, "is one of the best things to happen to farm radio in years," because it "documents how farmers rely on radio everyday. Doane gave us a good quantitative picture of how many farmers listen, but Rockwood gives us a qualitative look at farm radio's importance to farmers, compared to newspapers and television. It also showed how important farm magazines are, but people have always known that anyway."

Alford adds that, "You'd have to dig through reams of Doane's voluminous reports to dig out some of the things that Rockwood lays out for us, right up front. We already have one new advertiser we were able to bring into farm radio as a result of showing him Rockwood's findings."

Katz's Kummerow believes that even more important than what Rockwood shows about farm listening to the non-farm portions of stations' programming "is what Rockwood tells us about time spent listening during the summer months. Traditionally, the bulk of ag dollars in radio are placed during planting season or immediately leading up to it—the first four months of the year. May through August is usually pretty slow for farm radio. But when we show the agencies and advertisers what Rockwood found about how farm listening jumps up in the summer compared to time spent with other media, at least some advertisers are going to want to keep a voice going during summer and keep their name out front in farmers' minds. The more they start thinking, the

Pesticide sales

1984 Industry Profile Survey,
National Agricultural Chemicals Association
(Composite analysis of all reporting companies)

	1983	1984	1984 Per cent of total	Per cent change
Total U.S. by product	(million $)			
Herbicides	$2,408.1	$2,918.7	50.0	+21.2
Insecticides	781.8	1,002.0	17.2	+28.2
Fungicides	203.3	219.2	3.8	+7.8
TOTAL	$3,556.0	$4,333.7	74.3	+21.9
Non-U.S. Sales of U.S. Production	$1,379.2	$1,502.9	25.7	+9.0
TOTAL SALES	$4,935.2	$5,836.6	100.0	+18.3

Source: National Agricultural Chemicals Association April, 1985. Total U.S. sales also includes small amount for plant growth regulators, nematicides and miscellaneous products.

FARM BROADCASTING REACHES FARMERS

Farm Broadcasting reaches farmers because, for most of them, getting today's farm news today means tuning to the favorite Farm Broadcaster . . . virtually a daily ritual on most American farms.

Some kinds of information just can't wait. Take weather. If a tornado's on the way, farmers can't wait to read about it the next day, or next month. Same thing with market information.

Since farmers need vital information every day they tune to radio and television farm programs. For example, Rockwood Research Corporation's recently completed study "The Value of Radio to Farmers" indicated that 92% of Class 1a farmers listen either every day or nearly every day to weather information on radio. Eighty-two percent listen either every day or nearly every day to farm market reports and/or farm news.

For the advertiser, this means that Farm Broadcasting reaches MORE FARMERS, MORE OFTEN and MORE PLACES than any other medium. Let us know when we can tell you more.

NAFB Participating Stations, Networks and Sales Representatives . . .

STATIONS AND NETWORKS

ALABAMA
Raleigh NC—TN Farm News Net

ARIZONA
Yuma—KBLU-KTTI (FM)
Yuma—Western Agri-Radio Network

ARKANSAS
Jonesboro—KFIN-FM
Little Rock—Arkansas Radio Network
Little Rock—KARN
Little Rock—KSSN (FM)

CALIFORNIA
Yuba City—KOBO
Yuma AZ—Western Agri-Radio Network

COLORADO
Denver—KOA
Fort Collins—KIIX

FLORIDA
Raleigh NC—TN Farm News Net

GEORGIA
Moultrie—WMGA
Raleigh NC—TN Farm News Net

IDAHO
Idaho Falls—KID

ILLINOIS
Bloomington—WJBC
Chicago—WGN
Chicago—WMAQ
Decatur—WOZ/WOZO
Decatur—WSOY
Galesburg—WGIL
Jacksonville—WJIL
Jacksonville—WLDS
Litchfield—WSMI-AM/FM
Peoria—WMBD
Quincy—WTAD
Rock Island—WHBF
Springfield—WTAX
Sterling—WSOR

INDIANA
Crawfordsville—WCVL
Evansville—WIKY
Fort Wayne—WOWO
Indianapolis—WIBC
Indianapolis—WIRE
Indianapolis—WTTV (TV)
New Palestine—IN Rural Radio Net
Terre Haute—WTHI-FM

IOWA
Burlington—KBUR
Cedar Rapids—WMT
Des Moines—KSO
Des Moines—WHO
Dubuque—KDTH
Fort Dodge—KWMT/KKEZ
Mason City—KGLO
Oelwein—KOEL
Ottumwa—KBIZ
Shenandoah—KMA
Sioux City—KGLI/KWSL
Sioux City—KMNS
Spencer—KICD-AM/FM
Waterloo—KXEL

KANSAS
Coffeyville—KGGF
Colby—KXXX
Dodge City—KGNO
Hutchinson—KWCH-TV
Pittsburg—KKOW
Salina—KFRM
Topeka—WIBW
Topeka—WIBW-TV
Topeka—Kansas Agri Net
Wichita—KFDI
Wichita—Mid America Ag Net

KENTUCKY
Hopkinsville—WHOP-FM
Louisville—Farm Service Radio Net

LOUISIANA
Shreveport—KRMO-AM/FM
Shreveport—KWKH

MICHIGAN
Ann Arbor—WPAG
Kalamazoo—WKZO
Milan—MI Farm Radio Net
Saginaw—WSGW

MINNESOTA
Albany—KASM
Albert Lea—KATE
Faribault—KDHL
Fergus Falls—KBRF
Minneapolis—WCCO
Redwood Falls—KLGR
St. Cloud—WJON/WWJO
Willmar—Linder Farm Network
Worthington—KWOA

MISSOURI
Carrollton—KAOL/KMZU
Hannibal—KHMO
Jefferson City—Brownfield Net
Kansas City—WOAF
Kennett—KBOA/KTMO
St. Joseph—KFEQ
Springfield—KTTS-FM
Springfield—KWTO

NEBRASKA
Lexington—KRVN
Lincoln—KLIN
Norfolk—WJAG
Omaha—KFAB
Omaha—WOW
Omaha—WOWT (TV)
Scottsbluff—KOLT

NEW YORK
Utica—Ag Radio Net

NORTH CAROLINA
Greenville—WNCT
Raleigh—TN Farm News Net
Raleigh—WPTF
Tabor City—WKSM-FM

NORTH DAKOTA
Bismarck—KFYR
Bismarck—KFYR-TV
Dickinson—KOCD-TV
Fargo—KFGO
Fargo—WDAY
Grand Forks—KNOX
Minot—KCJB
Minot—KMOT-TV
Williston—KUMV-TV

OHIO
Columbus—Agri Broadcasting Net
Columbus—WRFD
Findlay—WFIN
Lima—WIMA/WIMT

OKLAHOMA
Oklahoma City—OK Agrinet
Oklahoma City—KOMA

SOUTH CAROLINA
Raleigh—TN Farm News Net

SOUTH DAKOTA
Pierre—KGFX
Rapid City—KOTA
Sioux Falls—KSOO
Sioux Falls—KXRB
Watertown—KWAT
Yankton—WNAX

TENNESSEE
Memphis—WMC

TEXAS
Abilene-KRBC-TV
Amarillo—KGNC
Dallas-Texas State Network
Edinburg—KURV
Gilmer—KHYM
Haskell—KVRP-FM
Houston—KTRH
Lubbock—KFYO
Plainview—KKYN
San Angelo—Voice of SW Ag Net
San Antonio—WOAI
Tyler—KLVT (TV)
Wichita Falls—KWFT

VIRGINIA
Harrisonburg—WSVA
Raleigh NC—TN Farm News Net
Richmond—Virginia Agrinet

WASHINGTON
Spokane—KXLY

WISCONSIN
Eau Claire—WAXX-FM
Green Bay—WGEE
La Crosse—WKTY
Madison—WI Farm Brd. Radio Net
Madison—WTSO
Manitowoc—WCUB
Neillsville—Ag News Network
Wisconsin Rapids—WFHR/WWRW

NAFB PARTICIPATING SALES REPRESENTATIVES

JOHN BLAIR & COMPANY
CBS RADIO SPOT SALES
CHRISTAL RADIO SALES
EASTMAN RADIO, INC.
J.L. FARMAKIS, INC.
KATZ RADIO
MAJOR MARKET RADIO SALES
McGAVERN-GUILD
TORBET RADIO
WEISS & POWELL

Contact these NAFB Sales/Marketing Directors for FACTS ON FARM BROADCASTING . . .

Charles F. Might, 4619 Stonebridge Dr.
Racine WI 53404
(414-681-1180)

Ray H. Kremer, Box 533
Mount Dora FL 32757
(904-383-7495)

James R. Mills, Box 722
Herndon VA 22070
(703-437-3940)

National Association of Farm Broadcasters

more they'll realize that there's really no surprise in what Rockwood has documented—that farmers can spend the time they do listening because listening is the one way they can get the information they need without having to stop doing all the other things they have to do at the same time."

McGavren Guild's Ahrens points to Rockwood's findings about the credibility farm directors have in the area in which he's heard and known: "We can set up unwired groups of stations in his area that can feature the familiar and trusted voice of this particular farm director throughout his 'home territory,' whereas some other farm director from the other end of the state would probably not be so well known and less effective than the farm director we'd be working with in that particular area."

At DFS/Wegener, Richey notes that farm radio networks "could be more useful if they followed crop geography rather than state boundaries." Ahrens says that one of the things Lee Bullis will be doing when he joins McGavren Guild will be to "work closely with ag agencies and their clients to help them with their planning. Following a strategy similar to the target networks we set up for consumer products, Bullis will help set up unwired network buys that coincide with where a particular crop is grown, rather than networks limited to the confines of a given state."

Radio-TV breakouts

Both radio and television industry revenue breakouts for agricultural broadcast investments are conceded to be seriously under-reported, but for the record, the Radio Advertising Bureau reports that spot radio farm dollars for 1984 added up to $22,408,000, up from $18,443,000 in 1983. RAB also reports first quarter data for this year that show the largest category, farm chemicals, investing $6,731,000 in spot radio for first quarter '85. That's up from $5,703,000 for first quarter 1984 and $4,567,000 for first quarter 1983.

At the Television Bureau of Advertising the count for spot TV for 1984 comes to $19,264,200, plus another $544,800 for network TV. That compares to 1983 figures of $18,819,700 for spot TV and $545,000 in network.

Betty Moles, director of the Agricom Division of Fletcher/Mayo/Associates, St. Joseph, Mo., has been working for years to come up with a truer picture of ag-marketing dollars. She did manage to collect broadcast expenditures from the major agri-marketing companies in 1978, '79 and '80, but after that some of the pesticide companies pulled out because some of their competitors declined to report their ad spending. Now Moles says she'll be sending out another batch of letters in July to the companies concerned, in order to try to start up the expenditure reports again.

Coming up at NAFB

Meanwhile, NAFB, executive sales/marketing director Charles Might reports the Association's planned encore to the Rockwood report. "Now that Rockwood has proved what we've said all along about how useful radio is to farmers, and how attentive they are to radio throughout the day, we're accepting proposals from research companies for a quantitative study."

Might says NAFB's Research Advisory Committee will also be working on this project, and that the tentative guidelines, subject to change, are that, "We'd want a study that can generate reach and frequency data accessible on-line to the agencies' computers. We'd want breakouts of at least half hours on the stations, and we'll probably limit the universe to Class I farmers—those whose annual farm income is $40,000 or more."

And to boost agency interest in broadcast commercial creativity in the agri-marketing area, an NAFB committee is working on an awards program. Says Might: "We see so many agency creative people who are impressed with what can be done on TV that we especially want to get them interested in upgrading the advertising we hear on farm radio." He says NAFB expects to have its new awards program set up by the end of this year or in early 1986.

Might also reports that more of the farm networks have dropped land lines and gone satellite. Brownfield was first, and the others include the Agricultural Broadcasting Network of Ohio and The Voice of Southwest Agriculture in Texas.

But new technology at farm stations is by no means limited to earth receiving dishes. Brownfield has a portable uplink unit that can transmit remote reports by satellite. At least one station has a portable transmitter that operates off the car battery of a station wagon, with a telescoping microwave antenna that can send a remote report back to the parent station from anywhere within a 30 to 35 mile radius.

Might also notes that more stations today have much more compact remote equipment that they can plug into any telephone jack, wherever their farm director happens to be, that more stations now read their market updates from a computer's CRT and that weather radar equipment is becoming a common piece of gear at more farm stations.

He adds: "There's so much that's new and better that for the first time, NAFB is inviting equipment manufacturers to lay out displays at our Kansas City convention coming up in November."

At the same time, NAFB is also working on upgrading its own computerization in two areas. One is making station information available on-line to the agricultural agencies. Information would include a station's call letters, power, frequency, name of its farm director, its farm programming schedule—almost everything except rates, because a number of stations prefer not to report rates.

Access to survey

The other area is setting up agency on-line access to the proposed new quantitative audience survey NAFB is planning, with a possible target date of late summer or early fall next year.

Says Blair's Alford: "We're in a period of stability so far as numbers of radio stations and networks specializing in farm broadcasting are concerned. But the quality of the information they offer keeps improving. They're doing more market analyses and offering more specific and specialized information, because that's what their listeners have told the farm directors they want."

At the same time he adds, the chemical companies "seem to be following the advice we've been giving them all along—when competition gets the toughest, it's more important to advertise then ever. And they are."

Similarly, McGavren Guild's Ahrens notes that in hard times, "What's true of consumer package goods products is true of farm chemicals: Those manufacturers and distributors who keep advertising during hard times gain market share over their competitors who advertise only during periods of prosperity. That's one thing that works the same way for farm distributors in the Corn Belt as it does for supermarkets in Los Angeles."

And Katz' Kummerow observes that, "We've already seen how a tougher farm economy has stimulated digging for new and better answers, and how a number of smart agencies have cut a new path and made a name for themselves by being both media-smart and smart creatively. We've heard these agencies use more words like 'effective frequency,' not just in the sense of media efficiency, but in the sense of frequency that builds more sales." □

Viewpoints

Dr. William F. Baker

President, Group W Television, Chairman, Group W Satellite Communications, in a speech before the recent Montreux Television Festival in Montreux, Switzerland.

Four future essentials: portability, affordability, desirability, compatibility

I would like to share with you a brief "wish-list"—demands I think we must make of our industry's future. All are essential. All I believe are realizable. But none, I think, are automatically going to come about if we do not insist upon them.

I have four items on my list: portability, affordability, desirability and compatibility. In their various ways, all four of these can help us improve our capacity for remote coverage. And that can only help us in our most essential task of all: to increase mutual understanding among nations.

We can help people around the world to see distant and foreign lands—and to see them through different eyes and from different perspectives. We can help people to understand the circumstances and the goals of other countries—countries that now seem merely alien.

The first item on my wish-list is *maximum portability* of equipment. This item is probably the simplest and most likely to be achieved. Yet, as someone who has worked in line-jobs in broadcasting, I know that instantaneous, on-the-spot reporting is at the heart of our business.

That means we need equipment that is light, small, and *reliable*. And the lighter, the smaller, the more reliable—the *better*.

Technology at any price?

The second item on my wish-list is *cost-effectiveness*. In contrast, this is by no means automatic. As an American, I have only to think of some of the thousand-dollar hammers and wrenches recently bought by the Pentagon. The rush for unprecedented technology at any price always has the same result: unprecedented prices.

On a smaller, personal scale: As a weekend sailor, I've learned a bitter truth about so-called marine equipment. Whether it's a brass bolt or a plastic pail, if it has the word "marine" in front of it, it's going to cost about three times what it would cost in an ordinary hardware store.

The same goes very much for television equipment. I don't believe we can continue to pay about 25 times as much for so-called "professional" video recorders and cameras, as for those excellent consumer items.

I must add that certain developments make this element even more crucial today in *my* country. Our industry is currently beset by a wave of mergers and acquisitions. In such an environment, there will be tremendous economic pressure on the new owners to realize a large and rapid return on their considerable investments. And the first budget item likely to be cut will be large expenditures on technical equipment.

Many of us, I might add, are afraid that there will also be pressures to cut spending on important programming, such as public affairs—programming that offers no immediate addition to the short-term profit line. Whatever the outcome may be on *that*, certainly the *technologists* must be made aware that asking for needlessly expensive new equipment is just unrealistic.

Quality of market research

The third item on my wish-list is *market research*. The technologist has to ask the production people what the viewers *truly want*. What kind of cable services will people *buy?* How can *videotex*, for example, finally escape the classic chicken-and-egg trap?

A lot of recent market research in the new technologies has been pretty poor. Three years ago, the consensus was: the market for home computers was almost limitless, while the market for audio compact discs might be non-existent. Instead, we've seen almost a reversal of expectations.

I believe there are two main reasons for that reversal.

First, the compact disc had a clear and appealing set of advantages over the LP: not only superior sound, but also convenience and durability. In contrast, the home computer still has not given most people a *reason* for its existence. They want to know: what can you *do* with it?

All that may change in the next generation. I hope so. But in the meantime, in most average households, the home computer is on a back shelf of the closet, along with the Cuisinart and the fondue set.

There's a second reason why the compact disc is succeeding—while the home computer is in the doldrums. And that has to do with the fourth item on my wish-list:—*compatibility*. Like RCA's color-TV system, but *un*like the recent videodiscs or the quadraphonic swamp of the '70s, compact discs are a unified product. Meanwhile, almost every brand of computer still has its own unique and incompatible format for information storage.

Nothing is clearer to me than this: in our new ventures to give our viewers greater choice, we must achieve compatibility. We must have international production standards. We must have interchangeable software.

Programming/Production

RAI programming to be on WNYC-TV

RAI Corp. will move its operations and expand its Italian-language programming hours to WNYC-TV New York, beginning September 2. If plans work out, RAI is looking to air its programming to other major cities with heavy Italian-American viewing, via satellite. The expanded programming format will involve 16 broadcast hours per week, including soccer championships and national news from Italy via satellite. Under terms of the arrangement, RAI will shell out about $4.5 million in fees the first year to WNYC-TV, which will lease the time to RAI, says Renato M. Pachetti, president of RAI, in an interview.

The RIAUSA programs will carry commercials, as is the case at WNJU-TV, its present landlord, and the marketing plan calls for a total of 12 minutes to be sold in each hour off-primetime and 9½ minutes each hour during the 7–8 p.m. time period, notes Frank A. Iorio, vice president, marketing at New York Communications System Ltd., agent for RAI. Sponsors signed, including those which advertise on the WNJU-TV programs, are Gallo wine, Alfa-Romeo, Martini & Rossi and Iveco trucks. Newly on board is AT&T, says Iorio. Talks are being held with agencies handling Budweiser beer and Coca-Cola.

Prices for spots will vary, depending on the program, time period and volume. Price ranges will be from $300 per 30 on Sunday morning to a maximum fee of $950, in the nightly news segment, Iorio notes.

The programming thrust of RAIUSA will center on Division 1 Italian soccer championship games, which will be shown each Sunday in their entirety in New York, says Pachetti. (In Italy, only the second half is shown.) The new schedule on WNYC-TV will involve two hours, 6–8 p.m., Monday through Friday; and Sundays from 8 a.m.–2 p.m. In addition to the nightly news and soccer, the schedule calls for a one-hour weekly talk show, a half-hour weekly news journal, and classic Italian films, made-for-TV movies, musical variety shows, miniseries and programs for children, plus a continuation of cooking lessons from an Italian chef and author.

To make the programs more palatable for American consumption, Pachetti says he expects to add sub-titles to some of the programming, especially in movies and miniseries. If all goes well, Pachetti says, RAIUSA programming may go on domestic satellite to cities such as Detroit, San Francisco and Philadelphia, which have a heavy Italian-American population.

However, no timetable has been set on a satellite hookup. The earliest this would happen is a year to 18 months from the WNYC-TV launch, Pachetti notes.

Taffner new series

D.L. Taffner, which in association with three other entities, will launch a half-hour comedy, *Check It Out!*, initially pitched the series without success to the networks and to Metromedia Television. According to Don Taffner, president of the distribution/production company, says the project was rejected by the networks, but in the case of Metromedia, a co-partner with Taffner in *Too Close for Comfort*, the deal fell through because an agreement couldn't be reached which would make both sides happy.

As to the series, which will star Don Adams, it will contain 22 episodes in the first year, and will cost close to network ventures, to be financed mostly by the CTV Television Network, Toronto, which will pick up about 40 per cent of the tab. Taffner will shell out 25 per cent, while the two other partners in the venture, Program Syndication Services, will also put in about 25 per cent, and the USA Network, will add 10 per cent to the funding pot, notes Taffner.

All of the episodes will be produced by Taffner's production arm at facilities of Glen-Warren Productions in Toronto, with the first tape date set for July 19. *Check It Out!*, which features Adams as a cynical manager of a supermarket, will be marketed on a cash/barter basis, with three 30s out for national sale, per episode.

On the scheduling end, the show will initially air simultaneously on the USA Network and on the CTV Network in the fall, with U.S. syndication beginning in the spring, 1986, after the cable and Canadian runs. Taffner will handle the clearances on the U.S. syndication end, and PSS will take care of national advertiser sales, notes Peggy Green, president, PSS. USA will handle its own sales, and, according to Kay Koplovitz, president and chief operating officer at USA, advertiser interest has been sharp. *Check It Out!* is based on the Thames Television comedy, *Tripper's Day*.

ARP deal on special

ARP Films has obtained the worldwide distribution rights to a half-hour animation Halloween television special based on the Scrabble People learning toys, part of the Scrabble line of games and products put out by Selchow & Righter, makers of the Trivial Pursuit games. The special, *A Pumpkin Full of Nonsense*, was produced by Arce Productions for S&R, and is designed to appeal to parents of pre-schoolers, and pre-schoolers.

ARP is making the special available to stations now for airing in October, on a cash basis. *Nonsense* features Sir Scrabble and two children, three characters from the Scrabble People toys, who visit the Land of Nonsense, where the ruler has forbidden the subjects to learn how to read or spell.

The special shows the fun of making words and the importance of learning to

Announcing the launch *of the first-run weekly series "Check It Out!," are, from l., Kay Koplovitz, president and CEO of the USA Network; Arthur Weinthal, CTV Network vice president and director of entertainment programming; and Don Taffner, president of D.L. Taffner Ltd.*

read. Dr. Helen Boehm, a child development expert and educational psychologist, notes, "in a field crowded with highly commercial programming, this special is a refreshing change for parents and children. Rather than promote a product, the show promotes a concept, that of the importance and fun in reading."

Orbis named by Blair

Orbis Communications has been appointed national sales representative for the barter spots available in *Divorce Court* and *Break the Bank*, two strip series from Blair Entertainment. The new association with Orbis will be managed internally at Blair by Alan Berkowitz, vice president, media marketing.

Syndication shorts

Program Syndication Services has cleared *Morning Stretch*, half-hour strip, in eight markets, for a total station lineup of 101, representing 74 per cent of the U.S. New stations include KXAS-TV Dallas-Ft. Worth, WIII-TV Cincinnati, WFYZ-TV Nashville, KNAZ-TV Phoenix and WLNS-TV Lansing.

Syndicast Services will handle national advertiser sales on *Kidsworld*, weekly half-hour news/magazine feature. **The Behrens Co.** will continue to handle station sales and distribution of the series. *Kidsworld* is entering its 10th syndication year. The current lineup represents more than 75 percent of the country, according to SS. Also at SS, 80 per cent of the nation's markets have signed for the two Elvis Presley specials, to be seen beginning in August, *Comeback* and *Aloha From Hawaii*. Ten of the top 10 markets and 20 of the top 30 will air the shows. Latest outlets signed include WTTV(TV) Indianapolis; WTVF-TV Nashville, WTTE-TV Columbus, O., and KMOL-TV San Antonio.

Orbis Communications will distribute a primetime package of seven specials, produced by **Martin Sandler Productions** and fully sponsored by Wang Laboratories. Specials include **American Treasure—A Smithsonian Journey** and six one-hour programs under the umbrella name of Challenge: The Adventure of American Business. Also, in two separate agreements, Orbis will distribute *The Look of the Year*, beauty pageant to be hosted by Andrew Stevens and Jayne Kennedy. The two-hour barter special has an August 20–September window; and it will syndicate the *Live Aid* concert to end world hunger. The concert will air live July 13 from Philadelphia and London, with stations clearing the show for 11 hours via barter. It's produced and marketed by **Worldwide Sports and Entertainment.**

All episodes of year two of *Puttin' on the Hits* will be produced and distributed in stereo. *Hits* year two has already been cleared in 113 markets covering 85 per cent of the country, and MCA TV expects to achieve more than 90 per cent clearance by air date.

LBS Communications has set its first *Inday* special, *Clash of the Daytime Stars*, for November. The contest will take place July 28 in Pacific Palisades, Calif. *Inday* itself, the two-hour block of daytime programming, will premiere this fall.

ACM Television has acquired the U.S. television rights to 20 made-for-TV titles from Emmeritus Productions. Eight of the titles have aired in Canada during the past year, and two more have been recently completed, with 10 in various stages of production. The initial 10 releases include *Blue Murder*, *The Chronicle of 1812*, *Deadly Pursuit*, *A Death in Hollywood* and *The Edge*.

King Features Entertainment's second film package, The Performers Vol. II, has been sold in more than 50 markets, representing 60 per cent of the country. Markets include 24 of the top 25. The Performers, KFE's initial film package of 15 titles, has been cleared in more than 77 markets, including 48 of the top 50, or 80 per cent of the country.

King World Enterprises has cleared 51 stations for *Stroh's Circle of Sports*, 13-week, two-hour sports magazine. Stations include WFBN-TV Chicago, WRBV-TV Philadelphia and KFTY-TV San Francisco. KWE also has sold *Special Friends*, hour special, in 141 markets, representing nearly 78 per cent of the country. Newest markets are WPAN-TV Mobile-Pensacola, WTOV-TV Wheeling-Steubenville, KCRC-TV Chico-Redding, and KXII-TV Ada-Ardmore.

Format, staff shifts

Carl Prese has been named morning drive-time personality at WBBG Cleveland. He comes to the station from WJM Cleveland where he spent more than 20 years as on-air personality. His broadcast record includes spinning the early pop music hits with WBBG's Bill Randle in the 1950s.

Kris Michaels, midday personality on WABB Mobile, has been appointed assistant program director. Prior to WABB, Michaels worked at WBHY and at WZEW, both Mobile, and WHMD Hammond, La.

Alan Christian has joined WFBR Baltimore as the 10-a.m.-2 p.m. personality, with his own telephone talk show. He had been at WCBM Baltimore where he did an evening stint for more than a year. He started on the station in 1972 and later went to WBAL Baltimore.

Sonny Daniels is the new noon-3 p.m. personality at KKMG-FM Tulsa. He comes to the station from WKJJ(FM) Louisville, where he hosted the afternoon drive show. Other on-air shifts at the station are John Erling, 5-9 a.m.; Stephanie Chase, 9 a.m.-noon; Sonny Daniels, noon-3 p.m.; and Steve Brodie, 3-6 p.m.

Wayne Elliot and Rick Stephenson have been appointed music directors at KEEY(FM) and WDGY, respectively, Minneapolis-St. Paul. Elliot joined KEEY after working as program director at WJJK Eau Claire, Wisc. He'll continue to hold down the 7 p.m.-midnight shift. Stephenson was an on-air personality for 10 years at KNEW San Francisco. He's continuing his WDGY show from 5:30-9:30 a.m.

Art Johnson has joined WRCQ Farmington, Conn., as its 6 p.m.-midnight personality. He inaugurated all-night radio programming on WTIC in 1962 and was with the station for 15 years.

David Rudat has been named program director at WHO Des Moines. He comes to the station from WIRE Indianapolis, and the Indiana State Network, where he was in management areas, including creative, sports and business and farm news.

Tom Watson has joined KJR Seattle-Everett as director of operations and programming. Most recently, Watson was with Balon and Associates, Austin-based radio consulting firm.

John St. John and Wendy Garret have been given better personality assignments at KFKF Kansas City. John takes over the afternoon drive slot, Monday through Friday, and Garrett takes the 9 a.m.-1 p.m. slot vacated by John.

Country stations up

Full-time country stations increased by 25, bringing the number of outlets airing only country music to 2,290, over a year ago's 2,265, according to the 1985 Country Music Association's annual radio survey. The increase includes three full time stations in New England, an area which now boasts 61 stations. Country music in stereo was also up. AM stereo stations number 122 and FM skyrocketed to 992, as compared to 65 in AM stereo and 937 in FM stereo in 1984.

Stations airing country also increased in the 12–15 hours daily category, from 173 to 189, for an increase of 9 per cent. Country stations airing 8–11 hours daily declined by 8 per cent, from 226 to 208, and outlets with less than eight hours, were down 5 per cent, from 483 to 460.

Programming/Production

continued

Children's fest entries

The American Children's Festival has begun accepting entries to its first national competition. Commercial, public and cable TV organizations and independent producers are eligible. The festival will run from October 20 through 23 in Chicago, and the ceremony will be televised by WTTW(TV) Chicago and offered for national distribution.

The Festival is looking for programs which make creative use of television, are entertaining as well as substantive, and exhibit high production standards.

Beverly Price, *senior producer of the "Ebony/Jet Showcase," recently won her second Chicago Emmy while at ABC. Price left WLS-TV in April, to produce the half-hour weekly series which debuts in September, to be hosted by Greg Gumbel.*

Champion-Tuck winners

CBS News, KTVI(TV) St. Louis and KCPT-TV Kansas City were among the winners of the champion-Tuck Awards, administered by Dartmouth College and sponsored by Champion International Corp. The awards recognize outstanding reporting that improves the public's understanding of business and economic issues.

In television, the first-prize winners were, for network and nationally distributed programs: CBS News, for *CBS Reports—High Tech: Dream or Nightmare;* top 25 markets, *The Jericho Syndrome*, KTVI St. Louis; markets ranked 26-100—*Cloud Over the Plains*, KCPT-TV Kansas City; and markets 101 and smaller—*The Paradox of Palo Verde*, KVIA-TV El Paso.

In radio, network origination—*Made in Tennessee: Portrait of the Nissan Truck Plant in Smyrna, Tenn.*, National Public Radio, Washington, and *Newsmark: Defense Dollars: Easy Money?, CBS News;* top 50 markets—*Speaking of Taxes*, KBIG(FM) Los Angeles; and markets 51 and smaller—*Nickel and Dimed to Health*, WKVT Brattleboro, Vt.

Second-place winners include The New Jersey Network, WBBM-TV Chicago and, in radio, California Times Radio.

Group W, Taft tie

Group W Productions and Taft Entertainment have entered in a co-production agreement to produce *Salem's Children*, a series dealing with witchcraft and superstition. Both Edwin T. Vane, president and chief executive officer of Group W, and Sy Fisher, president and chief executive of Taft, describe the show as markedly different from anything on the networks or in syndication today. Vane says, "We share the belief that *"Salem's Children* will bring to television something that is missing—continuing drama with characters with which everyone can identify and stories of the supernatural. The gothic tradition of mystery and romance that has appealed to the public for so many years will be given wide exposure." The production is based on a book by Mary Leader. Writing the series will be Steven and Elinor Karpf, creators and head writers for *Capitol*, and their son, Jason.

It has not yet been decided whether the show will be one-hour segments per week, or a strip for late afternoon or primetime access. *Salem's Children* will be introduced at next year's NATPE convention and premiered in the fall of 1986.

Salem's Children is the third project recently announced by Group W. In May, the company received a commitment from CBS to produce a TV movie with *Webster's* star, Emmanuel Lewis. The movie, tentatively titled *Lost in London*, will be filmed in England. The Lewis film will be produced by Emmanuel Lewis Entertainment Enterprises, Inc., in association with D'Angelo Productions, and Group W. Another Group W TV movie is *Mafia Princess*, for NBC.

Radio syndication

Drake-Chenault has signed consultant contracts with several stations. WXTU(FM) Philadelphia, and KEBC(FM) Oklahoma City, have signed for D-C to consult on country music via the company's Joe Patrick. At WEAN Providence, Mike Kinosian will consult on the Hitparade format. Other stations signed are KSTV(FM) Stevensville, Texas, and WYCQ(FM) Shelbyville, Tenn., for the Great American Country format.

Radio/television personality Meg Griffin will host her first network radio series, *Hot Rocks*, for the **United Stations.** The series of 8 90-minute profiles of artists began on Memorial Day weekend and runs for 15 weeks, United Stations will also present *America's Band* on July 4, part of a three-hour celebration. The show contains all the Beach Boys best hits and the stories behind the songs from the group members.

The Christian Science Monitor has expanded its syndication service to include a New England edition for the area's radio stations. The news service consists of a daily two-minute news segment and a daily two-minute feature segment. Each includes a break for a commercial. One is pre-sold and pre-recorded by the Monitor, while the other can be sold by the station for local use. Subscribing stations include WRCQ Hartford, WHJJ Providence, WOR New York, WLDM Springfield, WDEV Montpelier and WMER Portland, Me. The goal is to syndicate all of New York with a total of 20 stations. At this time, 11 have been signed.

KalaMusic, Kalamazoo, Mich., has added KOWN-FM Escondido, Calif., to its easy listening client roster.

Bob Laurence, a national programming consultant at Drake-Chenault since 1981, has been named the company's vice president for programming. Laurence began his broadcasting career shortly after receiving a degree from Maryland University.

Six stations have signed for **TM Communications** new format, Prime-Demo. The stations are WIS Columbia, S.C., WBIG Greensboro, KBOX Little Rock, KBUR Burlington, WJOL Joliet and WJTN Jamestown. The new format targets 25-54 year olds with a contemporary adult sound taken from the upbeat music of the 1960s, '70s and '80s. Some of the artists are Lionel Richie, Linda Ronstadt and Billy Joel. The format consists of three categories: currents and recurrents, core oldies and accent libraries. Additionally, there the format can be tailored to specific adult audiences with five different accent libraries: Prime-MOR, Prime-Country, Prime Gold, Prime Urban and Prime-Easy.

DIR Broadcasting *will debut "David Brenner Live," new series beginning July 17 at 11 p.m. The 90-minute program will air live via satellite from RCA studios in New York to more than 150 stations. The weekly series, besides featuring Brenner in interviews, will also feature musical segments and phone-in calls. Top, from l., are Steve Reidman, Brenner's manager; Peter Kauff, DIR; Brenner; and Bob Meyrowitz, DIR. Not pictured is Bob Kaminsky, "Brenner Live" producer.*

Pinnacle winners

WCBS-TV and radio each won one award in the New York Chapter of American Women in Radio & TV sixth annual competition.

The award, called Pinnacle, honors women writers directors, producers and reporters in the tri-state area for contributions to broadcasting, advertising and public relations, and were presented in New York by Pat Harper, WNBC-TV.

The Pinnacle Award winners were: television programming—Amy Sachs, ABC Wide World of Sports, ABC, for *Race Across America*, which tied with Ann Sorkowitz, producer, WCBS-TV, for *Malpractice of the Mind;* television news—Donna Hanover, WPIX(TV), for *Advertising for Plastic Surgery*, which also tied with Judith Moses, producer, ABC News, for *When Sammy Died.*

Also, radio programming—Deidre Bryant, correspondent, Leslie Eisenberg, producer, and Kathy Lavinder, general manager, ABC Entertainment Radio Network, for *Pollution: The Inside Story;* radio news—Irene Cornell, reporter, WCBS, for *The Drug Busters.* Mary Lou Floyd, district manager, AT&T.

Susan Bierbeck, producer of the "Maxwell House Youth Campaign, Ogilvy & Mather, won for public relations campaigns and advertising, respectively.

The awards were established in 1980.

Klystron beam efficiency

Representing a "major leap forward in efficiency improvements for the UHF broadcaster," the Marconi Communications Ltd. and Comark Communications Klystron beam has achieved more than 77 per cent efficiency at WTTE(TV) Columbus, Ohio. Marconi and Comark believe this is the highest efficiency ever achieved under actual filed conditions, for any UHF Klystron, placing Klystron on a par with VHF tetrode technology.

The companies see the broadcasters' energy costs as now being significantly reduced. When installed as a retrofit package, the drive/modulator and pulser system will pay for itself in less than a year when taking typical energy prices into account, according to the companies. The tests at WTTE consisted of equipment involving the new Marconi B7500 modulator operating in a new Comark series 60KW visual amplifier, using an Amperex YK1265 Klystron. A Comark high-energy CTM-20 Pulsar was interfaced with the B7500.

Equipment notes

San Francisco Studios Inc. has completed its 35,000 square-foot film and tape studio complex. Sound stage facilities include a full-set production stage, plus other stages. Each is independent so that three productions may be shot simultaneously. Offices and production facilities will be complete by mid-April. Roberta Smith Reily and Fran Fitzsimmons head the new facility.

Primalux Video has added a full complement of Betacam equipment, in conjunction with its expansion of the facility. Primalux uses the Beta system in several configurations: as a simple unit camera/recorder; as a one-half inch component recorder with modified Ikegami cameras; and as part of its multicamera systems.

JBL Inc., Northridge Calif., is offering free a pair of JBL 4401 control monitors, valued at $378, with the purchase of a UREI 1600 series broadcast console. The offer applies to all six models in the 1600 series and is valid through June 30 at participating JBL/UREI dealers. The 1600 series consoles feature a panel layout and are available in both five and eight input models and arrive on-air ready. The consoles have a better than 90 DB signal-to-noise ratio and feature a built-in headphone, monitor, cue amplifiers and cueing loudspeaker as well as +dBm output into a 600-ohm load.

David Buckler has been appointed vice president of sales at **Chryon Corp's.** telesytems division. He has been with Chyron for more than 16 years, most recently as director of national sales and northeastern regional sales manager for the division.

Jerry Ayers has been named to the new position of switcher marketing specialist at **Ampex Switcher Co.,** Redwood City. For the past 11 years, Ayers has been with the RCA broadcast systems division, most recently as central regional manager, responsible for a 17-state territory.

Marconi Communications Systems, Chelmsford, England, has won an order worth $2 million to supply the Voice of America with a shortwave transmitter, B6127, to be installed at Greenville, N.C. The transmitter is a high-efficiency 500kW unit which incorporates the Pulsam pulse width modulation system.

Kevin G. Dauphinee has been appointed vice president, sales and marketing, and **Robert M. Schein** has been promoted to vice president, motion pictures division, at **Dolby Laboratories,** San Francisco. Dauphinee joins the company after five years with ABC TV in New York, where he was in charge of a technical group responsible for the evolution of studio equipment for radio and TV networks. Schein has been with Dolby since 1978, and was director of the motion picture division.

John L. Klecker has been named midwest TV-RF district sales manager at **Harris Corp.** He joined Harris in 1971, beginning as a TV transmitter design engineer specializing in exciter and signal processing components. Most recently Klecker was UHF TV sales development manager.

Ally prods industry to help needy

"I think about it all the time," Carl Ally says. That's the confession of the retired but by no means retiring former chairman and a director of Ally & Gargano, Inc., when asked what inspired his altruistic remarks about the common fortunes of the world's peoples at the 26th Annual Clio Awards recently.

While many in the crowd squirmed restlessly ("I expected that," Ally says) and whispered among themselves, Ally urged advertisers "to address what is the total effect of what we are doing and the way we are doing it on world society.

"You can consult any number of world economic surveys," Ally says "and they all say that most of the people in this world are lacking in the areas of fundamental need, the minimum requirements for a stable and orderly human society. And in our own country a shocking number of people still live at or below the poverty level, in despair country."

Ally suggests that the industry use its skill to do what it can to alleviate the plight of the homeless and the hungry as a way of a personal return for the affluent lifestyle most of its practitioners enjoy.

Ever since his earliest days as a copywriter, in 1948, Ally has gone his own way. As chairman of the Clio Advisory Committee, instead of making the traditional speech about the caliber of entries, which many observers didn't think was as high as last year, Ally chose to counsel his audience on what he perceives to be advertising's greater purpose.

There were a few bursts of enthusiastic applause during the address, and a sustained ovation at the end. The kind of work Ally was exhorting his advertising colleagues to do is actually being done right now by a number of shops.

Benton & Bowles (see *Tele-Scope*) has put together a campaign on behalf of national literacy. Doyle Dane Bernbach is conducting a drive for blood donors. The Westinghouse Broadcasting & Cable Co. is enlisting the broadcasting industry in a nationwide drive for posthumous organ donations.

TBWA has just launched what it characterizes as a "controversial" public service campaign on behalf of Unicef, asking consumers to buy the organization's greeting cards, the proceeds are used to help relieve the plight of the homeless, underfed people, particularly in the third world countries.

The TBWA effort, involving reportedly an agency investment approximating $250,000 in time, talent and commitment, is a comprehensive campaign promoting the United Nations Children's Fund, and its greeting cards.

The multimedia campaign uses television commercials, radio spots and print ads.

William G. Tragos, TBWA chairman and worldwide CEO, declaring proudly that "his team pulled out all the stops on this one," says that the campaign is a "scalding portrayal of reality," focusing on the desperate problems faced by children in developing countries.

The TBWA advertising team traveled to Africa to shoot two spots, called "Choice" and "Digger" that show undernourished children, flies and all, filmed in their habitat by Vilmos Zsigmond. Zsigmond donated his time and talents as well as those of his commercials production company, Cinematic Directions, to film the spots.

Zsigmond's theatrical film credits include *The Deerhunter*, *The River*, and *Close Encounters of the Third Kind*, for which he won an Academy Award. Caught up in the spirit of the endeavor, Zsigmond was moved to comment: "The crisis of the people in many parts of Africa touched my heart. I very strongly felt a desire to express my concern through a camera's eye in these public service commercials."

The commercials hit hard on all fronts. The "Digger" spot shows a man sweating under the searing African sun, digging what the audience is led to believe is a grave for some deceased children. The ditch actually is a repository for some new plumbing equipment supplied by Unicef.

"The Choice" poses the tragic dilemma of a mother who must choose which of her children she must carry on a five-day walk to a center where she can receive help.

William G. Tragos

The copy is merciless in its simplicity: "She has to choose which one to take . . . even though she knows the others may not survive."

The copy transition is quick. "You have a choice, too. Unicef cards. Every time you buy them you help save a child's life."

The radio ads and the print ads carry copy aimed straight at the solar plexus, e.g., "try telling him his life isn't worth 30 seconds of your time."

Credits for the television campaign are as follows: "Choice," Evert Cilliers, vice president and copy supervisor; Geoff Hayes, vice president and senior art director; Grant Castle, vice president and management supervisor; Jeannie Exarhos, account executive; Vilmos Zsigmoind, director; Cynthia Adler, announcer; Jerry Bender Editorial, editor; Cinematic Directions, Inc., production company. "Digger," Frank Anton, vice president, copy supervisor, Steve Feldman; vice president and senior art director; Michael Pollock, vice

Director Vilmos Zsigmond

president and executive producer; Grant Castle, vice president, management supervisor; Jennie Exarhos, account executive; Vilmos Zsigmond, director; Anthony Zerbe, announcer; Jerry Bender, editorial, editor; Cinematic Directions, Inc., production company.

The company is currently engaged in an all-out effort to enlist support for running the PSAs in all day parts on all broadcast media, and is just as actively enlisting support for the hard hitting print campaign in both trade and consumer press.

Group W's Chance

Continuing in the public service vein, Group W's Second Chance campaign picks up more steam with each passing month.

KDKA-TV Pittsburgh, aired an hour special on June 9; Pittsburgh Pirates baseball club held a Second Chance Day on June 2.

WBZ-TV Boston, has produced national PSAs including one cut by a mother who donated her son's organs, plus editorials and news segments on the subject of organ transplants.

KYW-TV, Philadelphia has co-produced 23,000 flyers with donor cards from Acme supermarkets and 345 Second Chance posters, plus a spate of on-air spurs such as PSAs, editorials and news segments.

KPIX(TV) San Francisco conducted an hour special on June 9. WJZ-TV, Baltimore, presented it's 60 minute Second Chance Stanza on June 13.

Non-Group W stations have not hesitated to come forward in the cause of organ transplants. WPLG-TV Miami aired a documentary in early June. WCTV-TV Tallahasee, aired a show in mid June, as did WDIV-TV, Detroit and KSTP-TV, Minneapolis-St. Paul and KCNC-TV, Denver. In addition, these outlets are working with the corporations within their communities on the dissemination of donor cards.

Their news anchors and general managers are also reported to be going out into the community to whip up support for this cause. KCNC-TV also conducted a Childrens Hospital Telethon, and is working with McDonalds franchised outlets in the Denver area in the distribution with donor cards.

Public station WGBH(TV) Boston is airing a Second Chance special in the Fall.

NAD resolves six

With the bulk of the spring and summer campaigns on the board, the National Advertising Division, Council of Better Business Bureaus, had a relatively quiet month, resolving six challenges, half of them by the Children's Advertising Review Unit (CARU).

Two cases were closed after the NAD agreed advertisers had substantiated their claims. Subjects included airline passenger fares and peanut butter. Four cases were closed when the advertising was withdrawn or advertisers agreed to modify their claims. One concerned automobile financing. Others dealt with children's products, ranging from play sets to a record cassette promotion. Source of referrals were competitive advertisers, and a local Better Business Bureau.

The peanut butter claim involved Beatrice Food's Peter Pan brand, and the line that aroused claimed: "Peter Pan tastes so peanutty because its made from the best quality peanuts in the world." A competitor told NAD that the line implied a unique product quality, and questioned whether taste is a function of peanut grade. Finally, the competitor questioned whether any manufacturer could claim to use the best quality peanuts in the world.

NAD concluded that the advertising did not convey comparative or uniqueness claims for the Peter Pan brand; that the advertiser's peanuts could be characterized as "best quality," and that the claims were substantiated.

The other three challenges involve television commercials directed to children, and illustrates the vigilance of the CARU in protecting minors from electronic marketing exploitation.

Television advertising described two kits, and CARU questioned the absence of accompanying audio or video statements indicating whether the kits are sold together or separately. Advertiser explained that each kit was sold separately, that the ad is being discontinued and promised that future Colorforms advertising will answer this concern.

The second challenge concerned a Mattel ad introducing two new dolls, in a spot that combined animation and music. CARU questioned whether the animation coupled with limited view of dolls accurately depicted the product. While not agreeing with CARU's analysis of the commercial, Mattel said it had previously discontinued the ad for what it characterized as other business reasons.

Finally, CARU questioned "all for only $12.95" and "But wait, there's more" language on a 120-second commercial for a record or cassette, which provided an 800 number for ordering goods. The agency believed the sense of urgency conveyed was inappropriate in a message directed to children. The advertiser maintained that the ordering information was geared to an adult audience. After a discussion about substituting alternative language had produced no result, the advertiser reported that the commercial had been discontinued after the challenge.

TvB/PUCA Awards given

The Television Bureau of Advertising, in concert with the Public Utilities Communicators Association, conferred Gold Awards to the winning entries in its Seventh Annual Better Communications Contest.

The three gold medalist entries are as follows: Class A (500,000-plus customers): Alabama Power Company, Birmingham, Alabama, for its "Louie the Lightning Bug" television commercials, part of a comprehensive youth education program stressing safety around electricity.

Class B (250,000 to 500,000 customers): Portland General Electric Co., Portland, Ore., for a benefit/value campaign to help customers understand what they get for what they pay.

Class C (under 250,000 customers): Sierra Pacific Power Co., Reno, Nev., for its program to improve customers' perceptions of the company as being well-managed efficient and planning ahead effectively.

All three of the award winners in the contest made extensive use of television advertising in their programs.

Broadcast Biz to FMR

Fallon McElligott Rice, an agency that had admitted it is seeking to be the agency for a broadcast property on the East or West Coast, has acquired a group closer to its home in Minneapolis. The Emmis Broadcasting Corp. of Indianapolis, with radio stations, WENS(FM) Indianapolis, KSHE(FM) St. Louis; WLOL(FM) Minneapolis-St. Paul; and KMGG(FM) Los Angeles, has tapped FMR to do its advertising.

The agency will produce a $2.2-million campaign that will include a mix of television print and outdoor.

Doubleday to KAS

Doubleday Broadcasting will move its two New York radio stations, WHN and WAPP(FM) to Kaufmann Astoria Studios, and will broadcast from KAS central building in that complex. It will occupy 14,000 square feet of space adjacent to Master Sound Astoria, which is nearing completion on two stages equipped for 48 track digital and analog recordings.

Construction of the broadcasting and office areas will get underway shortly and the move is projected to occur by the end of the year.

New campaigns

HCM, Inc. reports that the **Connecticut Bank and Trust Co.** has kicked off a flight of television commercials to in-

Advertising Directory of

Selling Commercials

Armstrong Flooring • Kalish & Rice

GIFFORD ANIMATION, New York

"The Prime of Your Life" • WNBC-TV

LEWIS COHEN & COMPANY, INC., New York

Chittenden Bank

DOLPHIN PRODS., N.Y., COMPUTER ANIMATION

Uniball

DOLPHIN PRODS., N.Y., COMPUTER ANIMATION

New Jersey Lottery • Venet Advertising

KCMP PRODUCTIONS LTD., New York

WALA-TV • Mobile, Alabama

I-F STUDIOS, New York

Renuzit • Laurence Charles & Free

KCMP PRODUCTIONS LTD., New York

WSMH-Feature 66 • Manheim Advertising, Inc.

LEWIS COHEN & COMPANY, INC., New York

Commercials *continued*

crease awareness in Fairfield County, Conn.

Radio, as well as newspapers and magazines, will be used in the $4-million campaign.

The flight uses four spots, that are themed—"the CBT customer can demand more from a bank." The 10-second spots advertise such services as mortgage approval, Barney cash machines (largest number in Connecticut) and high interest-rate deposits.

The fourth spot is a 30-second commercial that emphasizes CBT's service philosophy. The illustration used is that of approval for a loan, giving the bank ample opportunity to showcase its same day loan service.

Conill Advertising Associates has wrapped a 15-second spot slated for the Spanish market on behalf of **Champale,** the beverage.

The spot features **Charytin,** the Hispanic singing star, and the copy says that Champale is not a beer or a champagne, that it is just Champale "as bubbly as our island, as refreshing as a summer breeze."

Another singing star, "Queen of Soul," **Aretha Franklin,** has completed two radio commercials for **Dial** soap, via **Needham Harper Worldwide.**

The spots will be featured on the following networks: Mutual, NBC, CBS, CBS-RadioRadio, ABC-FM, ABC-Direction, ABC-Information, Satellite Music Network, Sheridan and National Black.

The syndicated properties are: *Rick Dees' Weekly Top 40; Dick Clark's Rock & Roll & Remember; Comedy Store, American Music Magazine;* and *Radiorobics with Jayne Kennedy.*

The music was arranged by **Butch Steward** of **Joy Art Ltd.,** Chicago, using the "Aren't You Glad" Dial theme song. **William Brichta** produced the spot and wrote the lyrics, Brichta is an associate creative director with NHW, Chicago. **Curt Olson** was executive creative director for Needham on the project.

As reported earlier in TV/RADIO AGE (June 24), **Joy Radio, Inc.** has created three radio spots for **Ash, LeDonne, Fisher** on behalf of the broadway musical *La Cage Aux Folles.*

Joy Golden, president and creative director of her own shop, will do her first on-air talent gig as Mrs. Adele Shiminisky, nee Berger, a Golden creation who is the show's biggest fan, penning notes to star **Van Johnson,** writer **Jerry Herman** and director **Arthur Laurents.**

The spots were recorded at RCA Studios in Manhattan with an assist from engineer **Pat Martin,** and are currently being heard on radio outlets covering the tri-state (New York, New Jersey and Connecticut) area.

Another radio spot, this for **Zip Wax** in tubes, has been prepared by **Shaller Rubin & Winer,** for a projected national campaign that begins on the east coast, and rolls out through the summer in selected New England and west coast markets.

The new product information will be built around a '50s song called *Runaround Sue.*

According to SR&W account executive **Denise Guillet,** the choice of the song was influenced by the product's 14 to 35 years of age target market.

Zip Wax is manufactured by Roberts Proprietaries and is designed to simplify the hot waxing process as it heats up in its own dispensable container.

The spot has been tested in New England and, according to Radio Recall scored significantly higher than health and beauty aid norms, and higher than four comparable spots prepared by SR&W in terms of customer recall and intent to buy the product.

Copywriter for the radio spot is **Sheila Simon.**

Meldrum & Fewsmith, Cleveland-based ad shop, has launched a fresh phase of its ongoing "Your Paint Should Be This Good" campaign on NBC and in more than 100 spot markets. The schedule, according to **Robert Iredell,** senior vice president and management supervisor for the agency, will be eventually expanded to include all three networks and some cable buys during the summer and fall.

This Spred House Paint Spot was produced by **Film Tree** of Los Angeles, and contains complex *sfx* executions. The spot shows a homeowner sitting in his yard when he begins to hear strange sounds. He turns to look at his house and sees the paint simply falling off the walls.

The suggested solution for the dilemma is Glidden Spred House Paint. **Ron Phillips** directed the spot for **Film Tree,** with **Basil Hoffman** portraying the victimized homeowner. **Michael Lerner** produced the spot, and **Bill Schwartz** was the executive art director.

Ad makers

BBDO has promoted four of its associate creative directors to creative director status, they are **John Greenberger, Harvey Hoffenberg, Alex Merrin** and **Glenn Miller.**

Greenberger joined BBDO in 1969 as a copywriter, left BBDO in 1973 to work for Cunningham & Walsh in San Francisco, returning to the agency in 1979 as a creative supervisor. Prior to his first stint at BBDO he held creative positions at McCann Erickson, and FCB/Honig, both in San Francisco.

Hoffenberg joined BBDO in 1974 as an assistant art director, and has been with the shop ever since. Before joining the agency he held two design posts, with Random House and with Bruce F. Marden & Associates.

Merrin joined BBDO in 1977 as a copy trainee and became a copywriter a year later. He was named a creative supervisor in 1980.

Miller joined BBDO in 1972 as a copy trainee, was named a creative supervisor in 1975. Prior to BBDO, Miller was with the law firm of Jacobson & Winter. He has a law Degree from Dickinson Law School.

Benton & Bowles, Inc. reports the promotion of three creative group heads to senior vice president status. They are **Arthur E. Kugelman, Richard Fitzhugh** and **Roger Levinsohn.**

Kugelman joined B&B last August as a creative group head. Before that he worked as SSC&B for two years, on the Diet Coke campaign as vice president and associate creative director. Earlier he served in a similar capacity with Kenyon & Eckhardt on the Wine Spectrum and Rums of Puerto Rico account, that left K&E earlier this year. Before that Kugelman held a similar post at Wells, Rich Green where he worked on the Max Factor, Prell and Safeguard accounts.

Fitzhugh joined B&B for his first tour in 1978, was named associate creative director and vice president a year later. He left B&B in 1981 to become a senior vice president and group creative director at NW Ayer, rejoining B&B in 1984.

Levinsohn joined B&B last November as a creative group head. He was previously vice president, associate creative director at J. Walter Thompson, serving in a similar capacity earlier at Needham, Harper Worldwide. Other agency affiliations were at Young and Rubicam, Inc. vice president and creative supervisor, and, prior to that, as a creative supervisor at Scale, McCabe, Sloves.

HCM has announced executive appointments at its Chicago and New York offices. In New York, **Alain Rousset** and **Michel H Popernik,** will jointly handle the portfolio of senior vice president and chief financial officer worldwide, as they unify the financial systems and information procedures of HCM. They will help establish the legal, financial and corporate links between HCM's 13 affiliate agencies throughout the U.S. and Europe.

In Chicago, associate creative directors **Mike Marn, Bill Hagerup** and **Chuck Rudnick** have been elected vice

Commercials *continued*

presidents of **HCM/Chicago,** according to **Dale Landsman,** executive vice president and executive creative director. Landsman took the opportunity to laud the trio.

Before joining HCM, Marn was vice president, creative director at Jack Levy & Associates, and creative supervisor copywriter at Benton & Bowles. Other agency affiliations were at D'Arcy MacManus Masius and at Tatham-Laird & Kudner.

Hagerup joined HCM/Chicago creative department as a writer after working as an account executive. Previously he was a copy director at Huwen & Davies, Inc.

Rudnick has worked on Perkins Restaurants, Stiffel, Jays Foods and Swiss Miss Foodservice while at HCM. Before that he served as advertising manager for Life Printing and Publishing Co.

Grey Advertising Inc. has named two new senior vice presidents within its creative department. They are **Bruce Guidotti** and **Robert Ravitz.**

Prior to joining Grey, Guidotti was executive vice president at D'Arcy MacManus Masius/New York on the Mars account. Before going to D'Arcy in 1983, Guidotti served a five year stint at Foote Cone & Belding as a senior vice president on the Frito-Lay account.

Ravitz previously was a senior vice president at McCann-Erickson. During his 12-year tour with the agency he supervised the Sears account, worked on Budget Rent-a-Car, and came to the New York office to lend his talents to Sony, A&P, and Coca Cola new products.

Jon Saunders has joined **Geer, DuBois** as a senior copywriter on the IBM business. Prior to joining the agency, Saunders was a vice president and senior copywriter at **Cunningham & Walsh,** working on such business as the Bank of New York, Sterling Drug and Proctor and Gamble.

Chris N. Perry has been named executive vice president creative services for the Cleveland based advertising agency, **Meldrum and Fewsmith.** Perry joined M&F in 1979 as vice president-director of creative services. He was appointed senior vice president in 1982 and was elected to the Board of Directors in 1983.

Perry begain his advertising career in Pittsburgh at Ketchum, McLeod and Grove advertising, where he became a creative supervisor. He joined Howard Swink Advertising in Marion, Ohio, in 1976, and, during a three year stay, rose to vice president-creative director.

Perry has creative advertising, at M&F, for such clients as Glidden Paint, Ford Tractor, Sears Optical, Durkee Famous Foods, and Blue Cross/Blue Shield. For the past 18 months he has served as chairman of the agency's new business committee, launching a campaign that generated 25 new business inquiries per week for its Cleveland, Detroit and Chicago offices, and five or six pieces of new business that bill in excess of $10 million.

William S. Schwartz has been named executive art director of the Cleveland office of **Meldrum and Fewsmith.** In his new post Schwartz will work closely with Chris N. Perry, executive vice president creative services. Schwartz joined M&F in August 1980, following more than 12 years of experience with leading Cleveland agencies.

Sanford Semel, manager of the Television Department at **Dancer Fitzgerald Sample,** Inc. has been named a senior vice president.

Semel, who has been a TV producer at DFS since 1960 on such accounts as Procter & Gamble, Hanes and Shulton, is responsible for the administrative side of production. He had formerly been a vice president. Semel manages workflow, assigns jobs to the agency's two-dozen line producers, as well as screen production house reels.

BBDO/West reports that it has concluded its two month search for a president of its San Francisco shop with the appointment of creative **Clem McCarthy,** formerly vice president and a creative director with Ogilvy & Mather in the same city.

A fourth generation San Franciscan, McCarthy has been in the agency business for the past 25 years, working on such accounts as BMW, Club Med, Sony, General Foods, TWA and many others. He has held creative management posts in New York at NW Ayer, Young & Rubicam, Inc. Wells, Rich Green and Ammirati and Puris, where he was a partner and creative director, at McCann Erickson, and at O&M in San Francisco.

McCarthy succeeds Joseph Barrett as president of the agency's San Francisco office. Barrett is currently a senior management representative for BBDO in New York.

Commercials circuit

Sid Myers has just wrapped two spots for the **National Dairy Board/Dairy Promotion Federation Association,** via **D'Arcy, MacManus Masius,** on behalf of ice cream.

The 30-second spots, entitled "Amber Waves" and "Summertime" form part of the agency's "Ice Cream the Beautiful" campaign. D'Arcy uses the music of Irving Berlin's "America the Beautiful," throughout the two spots, with director

Videotape and Film Post Production Services

Myers providing the visual effects. The commercials were done in Orangeburg, N.Y., and Cliffside Park, N.J., and a brownstone stoop in Manhattan.

There were 12 vignettes in all where Myers sought to achieve representative snatches of Americans at work. Executive producer on the project was **Richard Fink. Bonnie Marvel** line produced, and **Alan Sadler** is the line producer.

Silverman Productions, just wrapped a "Turn of the Century" spot for **Charter Federal Savings & Loan,** via **Lavidge & Associates,** a Knoxville, Tenn.-based agency. **Rip Charbonnet** is director/cameraman on the shoot. The executive producer is **Don Silverman,** the associate producer is **Terrie Bador.** The 60-second spot shows a turn of the century family preparing for a photograph, with copy dealing with a family's need for security, home ownership, and future financial growth. Copy makes the point that the families' needs haven't changed over time. Spot was shot in Richmond.

First there were the cola wars. Then the burger wars heated up. Now the fast food franchises are locked in the battle of the breakfasts.

McDonalds acknowledges breakfasts to be its primary growth area. **Wendys** is planning a national rollout of its breakfast menu this month via **Dancer Fitzgerald Sample.**

The company will feature a series of commercials showing a diverse group of people lip-syncing "Only Wendy's," theme of the campaign to "Only You," the well known standard.

For the first time Wendy's will feature commercials targeted specifically toward black and Hispanic audiences. "Morning Message," created by **Lockhart & Pettus** of New York, shows jazz saxophonist **Grover Washington** Jr. playing his arrangement of "Only You." "Cha-Cha" created by **Mendoza Dillon and Associados** of Los Angeles, depicts Wendy's fresh ingredients and preparation set to the music of a popular Hispanic hit.

Larry Osborne helmed the "People Singing" and "All Food" spots, with **KCMP Productions** the production house. The "Singing Eggs" spot was delivered by **Broadcast Arts,** with **Steve Oaks** and **Jim Richie** as co-directors. Agency credits to go **Art Bijur** for copy, **George Cinfo** for art and **John Lacy** as producer for the "People Singing" spot.

Cliff Freeman wrote the copy, **Donna Weinheim** did the art and **Susan Cherl** produced.

Art Bijur provided the copy, **Weinheim** the art and **Ed Chapman** produced the **Singing Eggs** spot.

Videotape and Film Post Production Services

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CHICAGO EXPANSION
Blair Television splits ABC, NBC sales groups/95

RETAIL REPORT
Broadcast's role in the 'new' real estate market/99

SELLER'S OPINION
Developing concept sell in crowded radio market/101

TELEVISION/RADIO AGE

July 8, 1985

Spot Report

Spot Report

Blair TV/Chicago adds two teams, fields six

The four-team Chicago sales office of Blair Television has been expanded to six sales teams by splitting the ABC and NBC sales groups. Blair's CBS and Independent teams in Chicago remain unchanged. Christopher Pearce, who had been vice president/manager of Blair TV's Houston office has been tapped to head the new Chicago ABC/Red team and Mike Hanrahan moves up from account executive to manage the Chicago ABC/Blue team. Both report to ABC Division vice president Timothy McAuliff.

For Blair represented NBC affiliates, Robert T. Jacobs, who has been vice president, manager of what had been the NBC team, will now head the new NBC/Red group in Chicago, and J. Richard Bailey advances from account executive to manage Chicago's NBC/Blue team. Bailey and Jacobs report to NBC Division vice president William F. Murphy.

Blair TV president Walter A. Schwartz reports that creation of the two new teams opens up 16 new positions in Chicago, including team managers, account executives and sales assistants. Overall this year, he adds, Blair Television will add 28 new staff posts, including sales people in Dallas, Detroit, Los Angeles and New York, as well as in Chicago.

Orbis deal for stock

The investors who have agreed to pump funds into Orbis Communications Inc. will be given stock in the TV distribution and advertising sales company, according to an Orbis source. As announced recently, Orbis completed a "significant private placement," with investors including Alan Patricof Associates; Citibank Investment Management Venture Capital; Furman Selz Mager Dietz and Birney, investment bankers; and Morton Janklow of Janklow & Traum, a law firm. The financing was arranged by Patricof.

As a result of the private placement agreement, a new board of directors has been appointed at Orbis. The board will now be comprised of Robert L. Turner, president; John C. Ranck, executive vice president, Orbis; Alan Patricof, chairman; Morton Janklow; and Martin Pompadur, managing general partner, Television Station Partners. According to Turner, the new funding will accelerate Orbis' rate of growth, and it "can now be more aggressive in making distribution guarantees and program acquisitions."

Sellout on 'Threads'

Unlike many other stations around the country, Metromedia's Washington station, WTTG(TV) sold out the time on its showing of a graphic anti-nuclear film. When Metromedia aired the British film *Threads* on four of its stations June 24, followed by an hour-long discussion in two cities, WTTG not only was Number 1 in its market during that period, but it grossed more than $40,000 for the programming and made a profit for those two hours.

Ed Shea, general sales manager, says, "We came down to the final week" but were able to line up five national advertisers and two local sponsors for the program, "and all at premium rates."

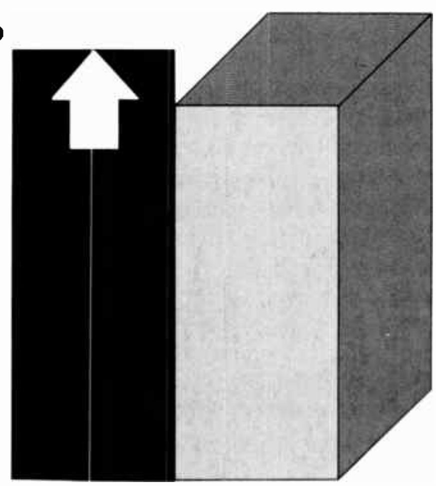
Tv sales enhancements

SoftPedal Inc., Atlanta, says it's now offering "interactive package editing" as part of its new enhancement package to $el-A-Vision, a computerized "productivity" system for television sales operated with microcomputers. Ken Klein, SoftPedal vice president, research and sales development, says interactive package editing allows station salespeople to change spot frequency, program names and rates on the computer screen, and that running totals and deliveries "permit sales people to see the bottom line effect instantly." This, he says, enables agencies and advertisers to receive proposal figures "in minutes." He also says that the system's enhancements include multi-book avails, stored rationale and color graphics. This permits display of up to eight rating books and 10 demographics per avail.

May

National spot business *(millions)*

+7.0%



1984: $478.5 **1985: $512.0**

Complete TV Business Barometer details p. 28

Spot Report

Campaigns

Alcon Laboratories, TV
Advertising Agency Associates/Newton Center, Mass.
CONTACT LENSES are being advertised for four weeks that started in late June in a nationwide list of television markets. Jeff Shuman headed buying team that lined up fringe inventory to reach young women 18 to 34.

American Dairy Association, RADIO
D'Arcy MacManus Masius/Chicago
MILK is being recommended for 13 or more weeks during third quarter in a fair lineup of southeastern radio markets. Demographic target is young people 12 to 18.

American Home Products, TV
John F. Murray Advertising/New York
SELECTED BRANDS will be sharing 13 weeks of third quarter spot exposure starting in early July in a long and coast-to-coast spread of television markets. Negotiators worked with a full range of dayparts to reach women in various age brackets, depending on product.

Anheuser-Busch, TV
Needham Harper Worldwide/Chicago
MICHELOB LIGHT is being offered for six to 10 weeks that started in late June in a long and widespread lineup of televison markets. Buyers placed fringe, news, daytime and primetime spot to impress men 18 and up.

Citicorp, RADIO
Doyle Dane Bernbach/New York
TRAVELERS CHECKS are set for 11 weeks of spot advertising that started in late June in a long and nationwide list of radio markets.

Target audience includes both men and women 25 and up.

Expansion planned

If its current spot radio campaign in New York and Chicago pays off, Sau Sea Foods plans to extend advertising for its shrimp cocktail and cooked shrimp specialties into more markets, with its first next stop in New England. Agency is Sawdon & Bess. Flights airing in New York and Chicago are being "pulsed" between July 4 and Labor Day.

Kellogg Co., TV
Leo Burnett Co./Chicago
VARIOUS CEREALS are set to share 26 weeks of third and fourth quarter spot exposure in a long and coast-to-coast market lineup. Advertising is directed to teenagers and kids.

Subaru Dealerships, TV
Levine, Huntley, Schmidt & Beaver/ New York
CARS are on the air for 13 weeks that started in early May in numerous mid-western and southeastern television markets. Buying group placed prime-time, news and sports adjacencies to impress men 25 and up.

Union Carbide Corp., TV
Leo Burnett Co./Chicago
MICROWAVE WRAP and OTHER PRODUCTS are scheduled to share 13 weeks of television appearances that started in late June in a long and coast-to-coast lineup of sunbelt markets. Buyers used a full range of day-parts to reach women, 25 and up.

Van Munching & Co., RADIO
SSC&B: Lintas Worldwide/New York
HEINEKEN and AMSTEL BEERS are using seven to eight weeks of radio advertising that started in early July in a long and coast-to-coast list of markets. Heineken is targeted for young men and Amstel is looking for adults 18 and up.

New line extension

National introduction of Economics Laboratories' new Scrub Free Heavy-duty Toilet Bowl Cleaner and Heavy-duty Kitchen Cleaner this month stems from success of the company's Scrub Free brand name, first used with Scrub Free Heavy-duty Bathroom Cleaner. The company says that only 18 months after its $7 million launch in 1983, the Bathroom Cleaner increased the specialty bathroom cleaner market by 44 per cent. To make the most of this success, Economics Laboratories commissioned new product development firm Kane, Bortree & Associates to recommend other products for the Scrub Free brand name.

Kane, Bortree zeroed in on the Bathroom Cleaner's versatility as a key to its success, offering consumers "one effective product for all the cleaning jobs in a room: This enabled new Scrub Free Heavy-Duty Kitchen Cleaner to pass all our tests and emerge a likely winner in its own right." Agency is The Marschalk Co. Introductory media are network television, Sunday supplement inserts and couponing.

Spot Report

Appointments

Agencies

Russ Finley has joined John Emmerling, Inc., as senior vice president and media director. Finley had been vice president and media group head, and director of broadcast operations at Leber Katz Partners and before that had been vice president and media director at Sawdon & Bess.

David R. Fulton has been named senior vice president, media director of Leber Katz Partners. He was formerly vice president and planning group supervisor at Young & Rubicam, where he was also director of strategy development for new electronic media.

Craig Middleton has joined McCann-Erickson North America as executive vice president, director of marketing. He moves into the new post from similar responsibilities at Young & Rubicam.

Jackie Robbins, vice president and media director of Herbert S. Benjamin Associates, Baton Rouge, has been elected corporate secretary of the agency's board of directors. Robbins joined Benjamin in 1981, following posts in media at Jack Hodges Communications and in national sales at WBRZ-TV, also Baton Rouge.

Richard M. Lauber has joined BBDO/New York as vice president and associate broadcast director, and **Merry Heim** has been promoted to assistant director in the agency's local broadcast group. Heim steps up from broadcast supervisor and Lauber moves in

C&W adds agency

BBDM/Cunningham & Walsh, Inc., Chicago, has been formed with completion of the purchase of BBDM of Chicago by Cunningham & Walsh. BBDM president/director Walter S. (Bud) Browning will head the office. Addition of BBDM brings total projected Cunningham & Walsh billings for 1985, nationwide, to $350 million. Chicago clients now include Admiral Corp., Amoco Chemicals, Ingersoll-Rand Co., Teradyne Central, Freeman Shoes, Emerson Electric Co., Vita Plus Industries and Quaker Oats Co.

Radio pays off

Following a radio test that "surpassed even our most optimistic projections," Radio Today, creative agency for *Rolling Stone Magazine* says it's planning an expanded test this fall. The test, designed to determine radio's effect on single-copy newsstand sales, ran in the midwest in early April. Pete Larson, *Rolling Stone's* director of single-copy sales, reports that the result was "phenomenal growth in sales where radio was used." And on top of that, the Dan Formento-produced commercial that sold so well also won the Gold Award in its category at the International Radio Festival on June 12. The spot used humor to suggest what to do with newsstand dealers who allow themselves to run out of *Rolling Stone.*

from William Esty Co., where he had been vice president and manager of local broadcast.

Robert Molineaux has joined Foote, Cone & Belding/New York as a media supervisor on the agency's Colgate-Palmolive, Arnold Foods and American Can accounts. He was formerly a senior media planner with D'Arcy MacManus Masius.

Allen Brivic has been promoted to group media director at N W Ayer/New York. He came to the agency as a media supervisor in 1980 and was soon promoted to associate media director.

David J. Slavin, an associate media director, has been appointed a vice president of Doremus & Co. in New York. Slavin came to Doremus in 1984 as an associate media director from General Electric Co., where he had been a media supervisor in the corporate marketing communications unit.

Cynthia Beattie, Linda Grant and **Sandra Wilcox** have been promoted to media planners at Foote, Cone & Belding, New York. All three step up from assistant planner. Beattie joined the agency in 1983 and Wilcox and Grant both came aboard last year.

Representatives

Arleen Geller has been promoted to vice president, sales for McGavren Guild Radio in New York. She joined the company five years ago and now steps up from account executive.

Margaret Caputo has been named sales manager for the Boston office of Katz Continental Television. She came to Continental's sales research department in New York in 1977 and was promoted to account executive in 1980, moving up from sales research manager.

Linda Ferrara has been appointed manager of Selcom Radio's new sales office in Boston. She has most recently been selling for WKKT Boston, and before that had opened and headed the Boston office of Republic Radio.

Mike Irvine has been named Dallas spot sales manager and **Ed Pearson** becomes Detroit spot sales manager for ABC Television Spot Sales. Pearson had been local sales manager for WXYZ-TV Detroit and Irvine had been national sales manager of the ABC-owned station.

Mike Tacher has been tapped to head the new Seattle office of Weiss & Pow-

Needham acquires

Needham Harper Worldwide/Los Angeles has acquired the Lane & Huff advertising agency of San Diego, which bills approximately $10 million. Needham's current service office in San Diego will be integrated with Lane & Huff to form Needham Harper Worldwide, San Diego. The new agency will be headed by Allan P. Shaw, formerly chairman of Lane & Huff, and now executive vice president, general manager of the new San Diego agency. Accounts added to the Needham Harper roster by the acquisition include Home Federal Savings and Loan Association, the San Diego *Union/Tribune*, and Sharp Health Systems.

ell and **Dick Gohlman** becomes manager of the rep's new office in Portland, Oregon. Telephone number in Portland is (503) 226-1282. In Seattle the number is (206) 283-0405.

Karen A. Wald has been appointed manager, west coast retail development, for John Blair's Radio Representation Division. Wald, previously market development director for KIRO-TV Seattle, will work out of Blair Radio's Seattle office.

Charlie Sislen has joined Eastman Radio's Marketing Services Department as research manager. He moves in from Arbitron Radio where he had been a senior client service representative.

Sharon Weiler and **Donna Assumma** have been promoted to assistant sales managers at Avery-Knodel Television. Assumma steps up from account executive in New York and Weiler transfers to Los Angeles from Avery-Knodel's Minneapolis office, where she had also been an account executive.

Rhonda Albert has added responsibilities as Western Division network coordinator for Torbet Radio. She will continue with her activities for her spot sales accounts in Los Angeles.

Pam Mitchell has stepped up from account executive to marketing consultant at Hillier, Newmark, Wechsler & Howard, New York. She had been national sales manager for CKLW Windsor-Detroit before coming to HNW&H in 1981.

Fred Robinson, Jr. and **Joseph Schwartz** have joined the West Coast sales force of Katz Radio. Robinson, a former vice president with the Mutual Broadcasting System, was most recently president of Spectrum Communications, and will sell out of Katz Radio's San Francisco office. Schwartz moves into the Los Angeles office from a post as account executive at MTV Networks.

Joyce Gruber and **Jacie Cordes Hurd** have joined Harrington, Righter & Parsons as account executives. Hurd, formerly an account executive for KXLI-TV Minneapolis-St. Paul. (St. Cloud) will sell out of Minneapolis. Gruber joins the New York office from the sales staff of Avery-Knodel Television.

Retail Report

Real estate's new potential

Jim Weichert founded Weichert Realtors 15 years ago with one office in Chatham, N.J. Today, he has 102 offices in four states, with 2,500 employees. Quite impressive growth.

But in recent years, Weichert has been faced with some dilemmas. Basically a New Jersey-based operator, he has expanded into suburban New York, Connecticut and Pennsylvania where he isn't as well known. In addition, he has increased competition in the form of national television advertising from such franchised operations as Century 21 and ERA.

What is happening, explains Chuck Jones, vice president and account director at Weichert's new ad agency, Grey, Lyon & King, is "the institutionalizing of the real estate industry. Companies are getting more sophisticated." Adds Randy Grotzinger, executive vice president and creative director at the Grey Advertising subsidiary: "Real estate entered the radio and television age. The franchises had started national television campaigns. We had to find a way to do it differently (for a regional independent).

The agency conducted a consumer telephone survey of sellers and buyers of real estate to find out what people liked and disliked and discovered that the Number 1 need was information. "Real estate agents," says Jones, "ranked somewhere around used car and insurance salesmen. People wanted someone they could trust. We positioned Weichert as the 'informed and informative' realtor."

As luck would have it, Weichert already had a brochure outlining 15 points that would help sellers get more money for their home. GL&K launched a radio campaign in February (eight broadcast weeks over a 14-week period on New York and Philadelphia stations) with Jim Weichert personally offering to send this guide out to anyone who dialed 1-800-USA-SOLD. Says Jones: "The telephones started ringing almost immediately." From a computer printout of the phone calls, leads were distributed to the closest individual office, and Weichert would then follow up by trying to get a listing.

Television was started on May 22 on four stations in New York and two in Philadelphia. The first commercial made the booklet offer; the second made a direct pitch for a Weichert representative to visit the home.

TV, explains Grotzinger, also had "some image, identification and name awareness objectives. We needed to do something that capitalized on what had already become a goldmine (the booklet offer)."

The agency decided on a black-and-white animated approach that would play on the emotions of loneliness and doubt so common among propsective home sellers. The animation solved the problem of portraying a house that was too extravagant-looking for some and not affluent enough for others. "Showing a typical situation," says Grotzinger, "was almost impossible. Through animation, everyone could identify with the look and feel and tone." The initial commercial begins with a house off in the distance while the announcer says, "Putting your house up for sale can make you feel suddenly all alone . . . even lost." The copy continues to make the point that Weichert's guide called "More Money for Your House" can help.

According to George McGuire, president of Grey, Lyon & King, the advertising (annual budget in seven figures) "is beginning to pay for itself." The company, he says, is going to continue on radio through the summer and be back on TV in the fall.

Real estate, Grotzinger points out, is an area about which broadcasters are not that knowledgeable, and "real estate people don't know how to use broadcast." But, he emphasizes, radio and television, utilized the right way, can be "advertising-responsive" for realtors. It's a new broadcast category."—**Sanford Josephson**

Stations

Alan Box has been elected president of EZ Communications, Washington, D.C. Box moves up from executive vice president and general manager of the company as **Art Keller,** founder-president of EZ, steps up to chairman of the board. EZ owns FM stations in Washington, Pittsburgh, Miami, St. Louis, New Orleans, Charlotte and Richmond.

Frank Watson has been named general manager of WINK-TV Fort Myers, Fla., and will also oversee operations of WINK AM-FM. He had been general sales manager and station manager for WINK-TV.

Olivia Lawrence is now general sales manager for WRNL and WRXL(FM) Richmond, Va. She was previously general sales manager at WHYW(FM) Pittsburgh.

Jeffrey B. Long has been elected president of Catawba Valley Broadcasting Co. He has been station manager and program manager of Catawba Valley's WHKY-TV Hickory, N.C.

Peter M. Schulte has been named president and general manager of Gannett Broadcasting's KKBQ AM-FM Pasadena (Houston). The former Eastman Radio executive had most recently been a senior vice president with Harte-Hanks, with responsibility for stations in three markets.

Christopher Kampmeier has been named station manager and **Robert O'Brien** general sales manager of KMGR(FM), the new radio station in Salt Lake City.

Don Sullivan has been promoted to sales manager at WSIX AM-FM Nashville. He came to the station as an account executive in 1979.

Joe Provenzano has been promoted to general manager of KYEL-TV Yuma, Ariz. He moves up from sales manager of the Beam Communications station.

Michael J. Valentino has been promoted to general sales manager at Bonneville's WRFM(FM) New York. He moves up from sales manager, working for **Bob Werner,** who now becomes national sales manager/eastern region for Bonneville.

Larry Weiss is sales manager for WSSP(FM), the new station in Cocoa, Fla. serving the Orlando area. Weiss was formerly with WRKT Cocoa.

TvB elects

Robert Kunath has been elected chairman and Bernard Hirsch vice chairman of the Television Bureau of Advertising's National Sales Advisory Committee. Kunath is president of Group W Television Sales and Hirsch is vice president/sales, NBC Television Stations. Also elected at NSAC's annual meeting at Montauk in mid-June were Neil Kennedy, executive vice president MMT Sales, reelected to a three year term on the TvB Board of Directors, and Steve Herson, vice president at Tele-Rep, to a three year term on the TvB Board.

Herson was also elected to a two year term on NSAC's executive committee, and Hirsch and Blair Television president Walter Schwartz were reelected to two year terms on the NSAC executive committee. Other NSAC executive committee members are Walter Flynn, vice president/general manager of sales and marketing, ABC Television Stations, David Allen, president of Petry Television, Kunath, and Roderick H. Perth, vice president, general manager, CBS Television Stations National Sales.

RAB pinpoints only all-CRMC rep office

The Radio Advertising Bureau *reports that the "only rep office in America" staffed entirely by Certified Radio Marketing Consultants is the Dallas sales office of McGavren Guild Radio. CRMCs above, from l., are Shane Fox, vice president/manager, and account executives Bob Bordelon, Andrea Fatool and Don Hall.*

Brian Pussilano has been named vice president, CBS Radio, and general manager of CBS-owned WHTT(FM) Boston. He transfers from Chicago where he had been vice president, general manager of CBS' WBBM-FM. Taking over as head of WBBM-FM is **Wayne Jefferson,** who also becomes a CBS Radio vice president. Jefferson had been director, administration for CBS Radio. He joined CBS in 1975 as director, internal audit.

Gary L. Brandt has been named general manager of KLJB-TV the new Quad Cities independent serving Davenport-Rock Island-Moline. He had been vice president, general manager of WCLQ-TV Cleveland, and before that national sales manager of WUAB-TV.

Umbrella for Internet

Farber

Wisentaner

Erica Farber has been named vice president/general manager of Interep Marketing Systems, the new umbrella organization for Internet, Internet Operations and the Radio Marketing Division. In other personnel moves resulting from the reorganization, David Wisentaner, Marc Guild and Kathy Score are also promoted. Score has been appointed New York sales manager for Internet, Wisentaner moves up to vice president/marketing for Interep's Radio Marketing Division, and Guild is promoted to vice president, sales and operations manager of Internet. Guild has been vice president of operations and research for Internet, Wisentaner has been sales manager for the Radio Marketing Division, and Score came to Internet in 1983 as an account executive. Farber was formerly vice president of Interep's Radio Marketing Division

One Seller's Opinion

Moore

When competition is hot, radio exec advises concept sell

Los Angeles is both a seller's dream and a seller's nightmare. It is a virtual sea of radio signals, with each one having a viable product. You can't move the dial one-quarter of an inch without receiving a signal. Los Angeles is the radio wonderland—listeners and advertisers can benefit from the best radio in the world.

But Los Angeles also faces a marketing and sales obstacle. In the winter, 1985, Arbitron, metro area 12-plus share, 25 radio stations achieved a 2.0 share or less. This makes the creative sales approach a challenge. What most Los Angeles broadcasters have done to overcome this sales and marketing obstacle is to rely on the *conceptual sell*. In a market with 85-plus signals, and format varieties from block language to country to classical to new wave rock to urban adult contemporary, one must learn early on to carve out a marketplace and position sales and marketing in extreme competition.

Fortunately, Los Angeles does benefit from the mobile, auto-driven lifestyle use of radio, but even with higher levels of use, creativity must prevail. Concept selling is slicing the radio audience up to show a usage that fits your station and audience. It's redefining the rankers to reflect the real format story.

For example, though there are six urban format stations in Los Angeles, each fits into a sub-category, such as teen-oriented break music, mellow-urban adult contemporary, or inner-city contemporary.

The same holds true for the adult contemporaries. There's a blue-collar AC, a yuppie AC, a highbred AC and an oldies-based AC. These are generally demo-oriented stations that cross the mean average age bracket of the population and reach lifestyle users of products and of radio.

And the same story holds true for the older demographic appeal stations. Across the country, the movement to educate advertisers about the 35-plus age group continues. The buying habits are there. The income and needs exist, and the products are there to be marketed.

Thus, Los Angeles offers an extreme mix of radio for advertisers, matching usage and demographics to create the total marketing plan. There's all-news, country, Spanish, urban, contemporary, hit radio, AC, AOR—the list goes on. An advertiser can reach his prospects with his choice of a unique blend of formats, tailored to match these prospects' lifestyles and product preferences.

But whatever the lifestyle, 99 times out of 100, that lifestyle revolves around the listener's car. People here are literally trapped—locked into their rolling 4,000 pound containers for 45 minutes, on average, each way, to and from work. Because there is very little public transportation per se, 87 per cent of the work force here drives to work. That gives radio a huge captive audience, so the way a radio station tries to win the war is by getting to be one of the five pre-set buttons on as many citizens' car radios as possible.

All of this makes Los Angeles the place for 25 stations to survive with a 2.0 or lower share.—**Robert K. Moore,** *vice president, general manager, KRLA and KHTZ(FM) Los Angeles*

Media Professionals

Esty media researcher eyes the crystal ball

Steven Greenberger

Vice president,
Media research director
William Esty Co.
New York

To Steve Greenberger, media research director at William Esty Co., it appears as though "there are as many controls in front of the television viewer as in the cockpit of a jet fighter. The viewer simply aims and shoots to turn the set on, change channels, or switch from TV to VCR, from TV antenna to cable."

Greenberger notes that we have quickly moved into high-tech television, "where hi-fi stereo sound will blow the speakers out of traditional viewing. The creative capabilities will be endless, with homes resounding in commercials with memorable music of popular artists." And he adds that "the near future" holds an alphabet soup of new communication technology: "The success of CATV, SMATV, MMDS, LPTV, DBS, TVRO, videotex and the home computer," he warns, "will help to further fragment audiences."

He points out that by looking at the historical drop in the cost of television sets, VCRs and personal computers, "We know that we can expect even heavier penetration levels of new video products." And he reminds us that while cable TV has grown tremendously over the past five years, "It is interesting to note that the cable services are now looking over their shoulders at VCRs, whose expected penetration by 1990 may very well exceed theirs. All we need to do is scan our own neighborhood to see new videocassette rental stores opening—stores that provide a wide selection of movies, old and new, clean and dirty, for anywhere from one to three dollars for a day's rental. Given the cost for the average pay service, the variety offered in these new libraries has drawn considerable interest away for the limited and repetitive roster of pay service options."

To the question of whether video cassette recordings with commercials will find a place "in the new electronic media maze, Greenberger's answer is "Yes, videos endorsed by advertisers will be purchased and/or rented by VCR owners." And he notes that while viewing options have expanded, "so have the opportunities to broaden the scope of traditional advertising. In coming years we should see more brands used or mentioned in TV shows and movies, greater experimentation with new types of attention-getting vignettes, and mixes of different commercial lengths. So the goal of media planning will have to be to incorporate more fine-tuning devices into the media selection process, use the micro-computer to filter only the most useful data, and aggressively go after these new video jet pilots."

Jack Davis has joined WKML-FM, a new station serving Fayetteville, N.C., as general manager. He was formerly general sales manager at WREC Memphis.

Dennis Thatcher has been appointed station manager of WOIO-TV Cleveland. He moves in from WCLQ-TV Cleveland where he had been general sales manager.

New Stations

Under Construction

KLJB-TV Davenport, Ia.; Channel 18; ADI Davenport-Rock Island-Moline (Quad Cities); Licensee, Davenport Communications, Ltd., 937 East 53rd St., Suite D, Davenport, Ia., 52807. Telephone (319) 323-1687. Lee Hanna, president; Gary L. Brandt, general manager. Represented by Independent Television Sales. Target air date, late July.

STV Goes Commercial

WSCV-TV Hollywood, Fla.; Channel 51 ADI, Miami-Fort Lauderdale; Licensee, Blair Spanish Television of Florida, 4035 North 29th Ave., Hollywood, Fla., 33020, P.O. Box 200. Julio Rumbaut, general manager. Represented by Blair Television. Switched from subscription service to Spanish language commercial programming on June 2.

Buyer's Checklist

New Representatives

Blair Radio has been named to represent Meyer Broadcasting Co.'s KIZZ(FM) Minot, N.D. The station programs contemporary hits in stereo.

Blair/RAR has been appointed national sales representative for KQKT(FM) Seattle, recently purchased by Behan Broadcasting. The station offers "up-tempo adult contemporary music featuring quality hits."

CBS Radio Representatives is now the exclusive national representative for KTRH and KLOL(FM) Houston. KLOL airs album oriented rock, and KTRH is an all news station.

Independent Television Sales has been appointed national sales representative for KSAS-TV Wichita-Hutchinson and KLJB-TV, the new Quad Cities independent serving the Davenport-Rock Island-Moline market.

Katz Radio is the new national sales representative for WZZK Birmingham, Ala. and for KFMX AM-FM Lubbock, Texas.

KFMX broadcasts contemporary hits, and its FM sister is an NBC Source affiliate with an album rock format. WZZK simulcast's morning drive with country formatted WZZK-FM, then switches to Transtar's country-western format, separate from its FM sister station.

Katz Continental Television has been selected to represent KBMY-TV Bismarck, N.D. The ABC affiliate is owned by Forum Publishing Co.

Major Market Radio is the new national sales representative for WNCI(FM) Columbus, Ohio. The station, owned by Nationwide Communications, plays contemporary hits.

Masla Radio has been appointed national sales representative for KACE-(FM) Los Angeles, WAWA and WLUM(FM) Milwaukee, and for KMGZ(FM) Lawton, Okla. KMGZ broadcasts contemporary hits, WLUM airs an urban/contemporary hits format, and WAWA and KACE both program urban contemporary formats.

Republic Radio has added KTUX(FM) Shreveport, La. and KLZE)(FM) San Jose, Calif. to its list of represented stations. KLZE features "easy-listening, classy music," and KTUX offers top 40 with a mix of contemporary hits and rhythm and blues.

Selcom Radio has been chosen to sell nationally for KTEZ(FM) Lubbock, Texas. The format is country music.

Seltel, Inc. has been appointed national sales representative for KCBR-TV

McClenaghan elected

William T. McClenaghan, vice president, research services, ABC Radio Networks, has been elected president of the Radio/Television Research Council. During the previous year, he served as vice president of the organization, and before that was secretary/treasurer for a year. The Council is an industry group dedicated to improving and increasing the understanding of the research systems and methods used by the broadcast media.

McClenaghan has been with ABC since 1977 and was promoted to his present post in August 1982. He is in charge of research services for the seven ABC Radio Networks as well as research support for ABC's 12 owned and operated radio stations and for the ABC Radio Division. He is credited with the design and introduction of on-line computer systems to speed up and facilitate the planning and buying of network radio.

Des Moines. The independent station is owned by Independence Broadcasting Group.

New Call Letters

WJW Cleveland is now WWWE, following the purchase of WWWE and WDOK(FM) by Lake Erie Radio, owner of WJW. Format is news, talk and sports, including play-by-play broadcasts of the Cleveland Indians, Browns and Cavaliers.

New Affiliates

Mutual Radio Network has added WAOK Atlanta, WEAN and WPJP(FM) Providence, R.I., and WWSA and WCHY(FM) Savannah, Ga. to its basic affiliate lineup.

The Source has signed new affiliates WVEE(FM) Atlanta, KBPI(FM) Denver, KPOP(FM) Sacramento, WIOT(FM) Toledo, WWCK(FM) Flint, Mich., and KJET and KZOK(FM) Seattle.

Transactions

AmCom General Corp. has purchased KRMD AM-FM Shreveport, La. from **KRMD, Inc.** for $5 million, subject to FCC approval. AmCom is a new company formed by George R. Francis, Jr., former senior vice president of Voyager Communications, Inc. President of KRMD, Inc. is Smokey Hyde.

Gulf Coast Country Corp. has contracted to transfer WPMP and WPMO(FM) Pascagoula, Miss. to **Starr Broadcasting** for $1,725,000. Americom Media Brokers, Inc. handled the transaction. Starr Broadcasting is owned by Peter Starr and Gulf Coast is owned by R.D. McGregor and the estate of Herbert V. Brown.

Malrite's moves

In quick succession, Malrite Communications Group has agreed to sell two radio stations and acquire majority interest in a television station. Agreement on the TV property is for Malrite to acquire 80 per cent of WLUZ-TV Ponce-San Juan, Puerto Rico from Ponce TV Corp. The radio stations being sold to Amos Communications of Sidney, Ohio, are WZUU AM-FM Milwaukee. Both transactions are subject to FCC approval. Malrite's other broadcast properties are in New York, San Francisco-Oakland, Cleveland, Denver, Minneapolis-St. Paul, Cincinnati, Rochester, Jacksonville and West Palm Beach.

July 8, 1985

Section Two

CableAge

CCI ad effort under fire

Cable's consumer advertising campaign has yet to sell itself to all segments of the industry

C6

Reagan's tax plan and you

As proposed, the president's tax reform package isn't all roses for the cable industry—but it's not that bad

C10

Who's got the GI blues?

Stockholders of General Instrument, that's who, as the supplier comes off a tough '84—and first quarter '85

C12

Not just cable at Showtime

Programming chief Peter Chernin looks toward broadcast syndication, home video as vital aftermarkets

C4

Pennies From Heaven!

TURN INTO DOLLARS FROM SUBSCRIBERS WITH STAR SHIP STEREO

Just a couple of cents every month can put the nation's *Hits* in the homes of every basic subscriber in your system.

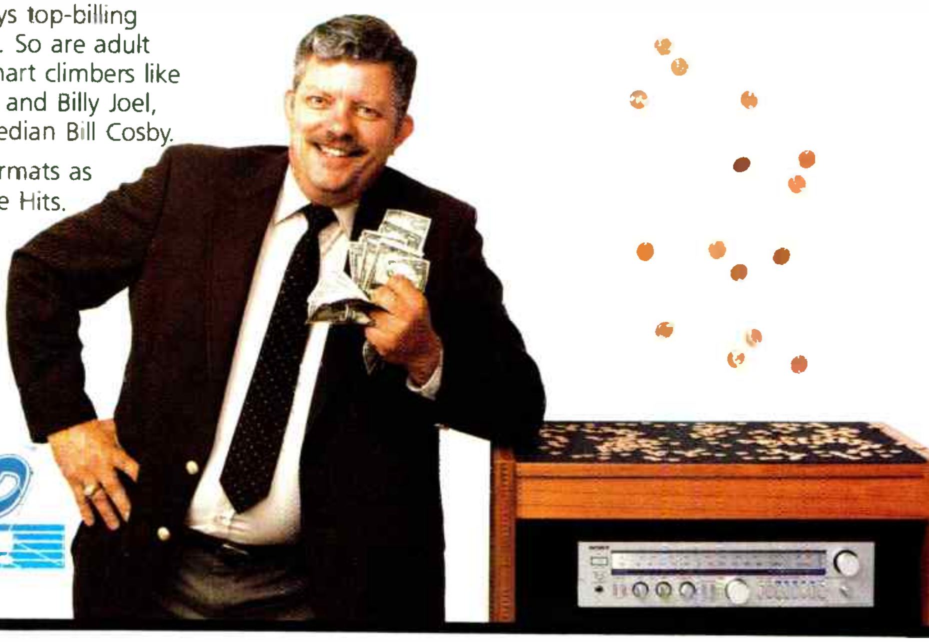
Album sales for many of the Star Ship Stereo artists soar past the $850 million mark in just a few short weeks. The Hits, the latest addition to the Star Ship Stereo line-up, features proven winners like Michael Jackson, Lionel Richie and Bruce Springsteen, the Boss. And that's just one of our formats.

Other Star Ship Stereo favorites ranging from classicial pianist Liberace to country singer Willie Nelson are always top-billing concert sell-outs. So are adult contemporary chart climbers like Barbra Streisand and Billy Joel, and famed comedian Bill Cosby.

Add as many formats as you like. Add The Hits. Add C&W. Add comedy. Contemporary Christian. Adult contemporary. Jazz. Big bands. '50s and '60s and '70s. Easy listening. Classical-WFMT.

Figures show . . . people do pay for music. Commercial-free. Studio quality. Without static interference. Variety and choice. Total home entertainment!! That's the meaning of Cable.

Add audio to basic to increase penetration and reduce churn. Your audio package will help sell your premium video package. Offer a Cable audio package in your community and watch pennies from heaven turn into dollars from subscribers!!



Star Ship Stereo

Music at Your Command

Satellite Syndicated Systems Inc. / P.O. Box 702160 / Tulsa, OK 74170 / (918) 481-0881

CableInsider

What's behind CTAM's foray into audience research biz?

The Cable Television Administration and Marketing Society (CTAM) is making its first foray into the research business, and thus far it's finding it a bit more difficult than it may have anticipated.

At the NCTA convention last month, CTAM officials announced they had entered into an agreement with the A. C. Nielsen Co. to provide a statistical monitoring service on pay subscription activity. The information, to be made available by subscription to industry players exclusively through CTAM, would be contained in two distinct products: a national report to provide industrywide trend data with a quarterly profile of pay activity; and a "system level" report, which summarizes pay activity in a manner that allows comparison to national pay activity norms. The intent is to show subscriber movement within major pay combinations in a given measurement period, covering all aspects of churn such as upgrades, downgrades and switchouts.

According to CTAM executive director Victor Parra, this kind of data, to his knowledge, is not available from any other source—hence the "sponsorship" of a private company's research work by a non-commercial trade association. Systems would provide the data to be interpreted by Nielsen.

CTAM was to have scheduled a briefing on the methodology of the pay activity monitoring service at the NCTA meet, but the session was cancelled. Gary Weik, CTAM president and chief of MSO Harte-Hanks, explains that a recent CTAM board meeting raised questions as to just how the research should be conducted. The main question to be answered: What will be the "market breaks" of the effort—in other words, precisely what segments of the industry will the research address, and how precisely will the data be broken out?

"Will it be broken out by new-builds and mature systems, and will you be able to pull out different segments of the industry? We want to make sure it's not a 'one size fits all' thing," explains Weik.

Market breaks. A "working committee" had suggested four "market breaks," but the CTAM board decided that's not enough. So it told a research committee of five members to meet with Nielsen and come up with a more acceptable methodology. "It's back to the drawing board," says Weik. "The board felt there should be more detail in the reports. We're taking a very cautious view, because we're going to be putting the CTAM 'stamp of approval' on this, and we want to make sure it lives up to expectations."

By way of analogy, he elaborated: "Will it be a vegetable soup, or will you be able to pull the carrots out? These questions haven't been answered."

The Nielsen-CTAM research effort, entitled "Database," will be offered to operators, programmers and others on an annual subscription basis. Rates have not been set, Weik said.

The CTAM effort has sparked one private research company to complain that the trade association, by allying with Nielsen, has become, in effect, a "competitor." The firm, Saxe Walsh Inc. of New York, analyzes billing tapes from CableData. It provides information that its president, Mark Walsh, claims is similar to that being sought by the Nielsen-CTAM effort.

"CTAM is now our competitor," Walsh declares. "I think CTAM is being overzealous in its interpretation of what it should be doing in service to the industry. It is like the government going into competition with private industry."

"Sour grapes." Weik rejects that contention as so much sour grapes. "CTAM is doing this only because there is a tremendous void," he maintains. If private companies were providing accurate nationwide monitoring of pay activity, he continues, "there would be no need" for CTAM to get involved.

"Sure, there are competitors for system-specific data," Weik goes on. "The problem is getting valid data on a national level. Because we are non-profit, we will add validity and credibility that no profit-oriented commercial organization will have."

Victor Parra of CTAM says several other firms were considered other than Nielsen; he could not name them. The Database effort, he says, is part of CTAM's "mission statement."

"This type of work is not inconsistent with what other trade associations give their industries. Similar projects are underway in the real estate, hotel and banking industries by trade associations that serve those industries."

What do officials of other cable trade groups have to say about the CTAM research venture? Jack Hill, vice president of research at Cabletelevision Advertising Bureau, says he is reluctant to comment on the "philosophical question" of whether CTAM should be sponsoring one firm's research on an ongoing basis. He notes that CAB commissions research from outside suppliers and uses the data for "promotional purposes."

But we don't sell it to our members," Hill says.

NCTA's view. John Woodbury, NCTA research vice president, comments that the CTAM Database "would be of higher quality than any other service out there right now."

The NCTA official adds: "If NCTA were doing what CTAM is doing, and a private company came along and provided that same service to the industry at the same price, I'm sure NCTA would bow out rather than compete with private industry. Trade associations have enough to do without competing with private enterprise. We are not in the business of business."

David Harkness, vice president at Nielsen, responds by saying that "I look at CTAM as I would any customer. They came to us with a particular request we can fulfill . . . . Association with CTAM will make it easier for us to get cooperation from the industry in our research." □

NewsFront

New star at MTV

There is a new star on the rise at MTV Networks Inc. David Hilton, formerly senior vice president and general manager, affiliate sales and marketing, now is elevated to senior vice president and general manager

Hilton

Fioravanti

of the whole operation—MTV, Nickelodeon and Video Hits One, the new sister music video service to MTV.

That means Hilton not only runs the day-to-day, but oversees the sales efforts of MTV Networks in ancillary markets such as broadcast syndication and home video.

The day-to-day operations previously had been handled by Domenick Fioravanti, the broadcast veteran who came to MTV from WNBC New York, where he was vice president and general manager. Fioravanti now becomes senior vice president and general manager of corporate program marketing.

And what is that? MTV says it's a "new area involving the packaging and sale of specialized marketing efforts by combining the energies and resources of cable affiliates, the music industry, MTV Networks Inc., its programming, characters and stars."

As part of the MTV executive shuffle, Tom Freston moves up to senior vice president and general manager of affiliate sales and marketing for all three MTV Networks services. He formerly was vice president, marketing.

Showtime touts syndie deals

Cable programmers who don't see broadcast syndication as part of their revenue stream reflect an "ostrich-like approach" to their business that will hurt them in the end, says Showtime/The Movie Channel executive vice president Peter Chernin.

To afford to do quality programming for cable, he said at a recent luncheon meeting of the New York chapter of the National Academy of Radio & Television Arts & Sciences, "We must create alliances with as many different media as possible to help finance the cost. . . .We are not pay-cable isolationists, nor can we financially or creatively afford to be."

By using competing media to help defray costs, he said, pay programmers can "create better programs for our own medium." As a case in point, he cited the upcoming presentation of 52 "lost" episodes of *The Honeymooners*, a deal done by Showtime/TMC parent Viacom International. Noting that the shows will go into syndication after their pay run, he said their value to pay subscribers is undiminished.

"Should we have avoided this series because it came from live TV and will ultimately go into syndication? I think not. The viewer of quality programming doesn't care where it comes from or where it goes. The viewer wants entertainment, not a list of corporate restrictions," Chernin said.

He also noted the success of the Showtime series *Brothers*, saying the service was able to attract such a costly production only because of its scheduled syndication run after its four- to five-year pay run. Also, he said, Showtime has gotten much mileage out of *Faerie Tale Theatre*, a show that Showtime couldn't afford without its home video distribution via CBS-Fox.

"Now, I'm not advocating a complete disregard for competition among media or a philosophy that says anything goes," Chernin added, noting that Showtime insists on a first window and blackout periods before and after an original production runs on his service. But, he said, "If we can learn to co-exist with other media, we'll be able to offer the viewer an even larger, more exciting array of programming."

All of this was Chernin's way of saying that, in his words, "we at Showtime/The Movie Channel have some significant philosophical differences with our colleagues at HBO," whose officials have "decried our foray into pay-per-view," and Showtime's penchant for cablecasting shows slated for syndication.

John Cooke in Disneyland

Now that Jim Jimirro is out and John Cooke of Times-Mirror Cable is in as president of The Disney Channel, it is certain that the fate of Walt Disney Production's "crown jewels," its animated classics, will be decided by the new Walt Disney Productions top brass.

Jimirro was head of both The Disney Channel and WDP's home video division, having built both businesses from scratch into profit-making entities during his tenure.

Now, however, separate division heads will run The Disney Channel and the home video division, with the issue of the utilization of the crown jewels reserved for the highest echelons of the Disney management, controlled by the quartet of movie studio executives from Paramount.

In the past, top Disney execs always had a hand in the disposition of the "jewels."

But Jimirro, as part of the old inner circle and head of both home video and the pay-cable channel, pulled much weight.

That arrangement no longer will exist. A Disney spokesman said it has not yet been decided whether to name a new home video chief; currently, home video vice president Ben Tenn, who had reported to Jimirro, is reporting to Jeffrey Katzenberg and Richard Frank, chairman and president respectively of WDP's motion picture and television division.

With his experience as the head of Times-Mirror's satellite programming division, which ran the now-defunct Spotlight service, Cooke is well-positioned to reflect operator concerns at Disney. "A lot can be done to enhance the value of pay-TV," Cooke tells CABLEAGE. "The solutions we will work out will be attractive to both the channel and its subscribers, and appropriate to the studio as well."

Jimirro has said it was time for him to leave the channel and pursue other activities. Insiders, however, believe that disagreements with the Paramount honchos over such issues as the utilization of the library contributed mightily to his departure. *Pinocchio* is slated for home video release this summer.

While no plans have been announced to run the animated classic on The Disney Channel, other classics such as *Alice in Wonderland* and *The Sword and the Stone* are running on the channel.

HBO big on 'Macrovision'?

Sources within Home Box Office say technical experts continue to study the "Macrovision" anti-piracy process as a way to prevent home video taping of certain product transmitted by the pay service via satellite.

If HBO finds that Macrovision works, it probably wouldn't unilaterally use the process on all of its programming, since that would frustrate subscribers who use videocassette recorders for time-shifting of HBO product.

But it could be a way for HBO to achieve control over "big event" programming such as pay-per-view or "HBO Plus," the third dedicated pay channel under discussion at HBO that would run hit films during their videocassette window (CABLEAGE, June 23, page C-3).

But does Macrovision work? The company recently announced results of a field test involving Embassy Home Entertainment's videocassette release of *The Cotton Club*. And it appears the process still reveals some kinks.

The company concedes that "many consumers found the process easy to defeat and that second generation cassettes were easily viewable." This is bad news, considering that the process is intended to render a dubbed copy almost undecipherable.

The problem apparently stems from a glitch in the mechanism that is supposed to trigger a VCR's automatic gain control. The firm says its original "parameters" were low, but has corrected the problem.

The good news from the field test is that in over a million video tape plays of the Macrovision-equipped cassette, there were "virtually no complaints regarding playability." There were concerns that the process could affect VCR tracking on some machines.

Embassy recently announced that *Torchlight* would be its second release carrying Macrovision.

How USA gets 'smart'

Showtime/The Movie Channel isn't the only cable programmer that is capitalizing on the revenue possibilities of first-window original product funded with post-pay syndication in mind. USA recently announced its first original comedy series, *Check It Out*, starring Don (*Get Smart*) Adams as a snide supermarket manager befuddled by his employees and customers.

The series is being produced by Taffner & Associates, but is a "joint venture" of Canada's CTV Network, which has some 40 per cent of the action, Taffner, USA Network and Program Syndication Services.

USA has put up some 10 per cent for the project. In return, it gets an exclusive 22-week first window that begins September 30. As of April 1, 1986, the show will be available for syndication to local stations. It will not be available to any cable networks (or broadcast networks, for that matter).

Because of USA Network's stake in the show, it will reap a share of the profits from broadcast syndication. PSS will handle syndication ad sales.

The program is being produced starting this month at Glen-Warren Productions in Toronto. Producer is Stuart Gillard of *Mork and Mindy* fame.

The liason between USA Network and Taffner goes beyond this one project; USA president Kay Koplovitz hints strongly that more joint productions are to come. She also says the show proves that USA is "serious about developing new product."

The deal differs from the recent pact between USA and Ohlmeyer Communications for the Sunday night *Stroh's Circle of Sports* two-hour magazine show in that the latter is a pure barter deal. Also, that show goes into syndication simultaneously with its weekly cable window. But like the Stroh's deal, the *Check It Out* venture is another move in Koplovitz' grand scheme to make USA broad-based in appeal and at the same time unique.

Once more with feeling

Faced with threatened defections from some major industry players (see story, p. C-6), the Council for Cable Information is looking for all the industry help it can get in formulating a new strategy for its second try at a consumer "awareness" advertising campaign.

Next week, a specially-formed "marketing task force" meets in New York City to come up with a creative strategy that will convince the industry to once again fund the effort. The chair is Burt Staniar, president of Group W Cable.

Other members: John Billock, HBO; Joanne Black, Showtime/The Movie Channel; Nimrod Kovacs, United Cable; Stephen St. Marie, American Television and Communications; and Doug Wenger, Storer Communications.

No representatives from basic cable networks are on the panel. Any significance? No, says a CCI spokesperson.

July 8, 1985

CableAge

C*CI spent $6 million trying to sell the public on cable. But now it has to sell industry doubters—and get them to cough up $12 million.*

Will some major programmers join TCI in bowing out of consumer ad campaign?

CCI, under the gun, must resell itself to cable's skeptics

BY VICTOR LIVINGSTON

An atmosphere of deja vu pervaded the private dining suite on the 64th floor of New York City's RCA Building recently as some three dozen members of the Council for Cable Information's executive board found themselves once again debating the key issues that have vexed the CCI effort from its inception:

• Should the industry-funded consumer advertising campaign concentrate on image, or selling subscribers?

• Is existing advertising too "soft" to work?

• Should the representatives in the room recommend that their companies once again fund the effort when the nation's largest MSO has bowed out?

• And, can a national consumer advertising campaign really "sell" a television medium whose content and character differ greatly from system to system, market to market?

The board emerged from the sometimes animated session with word of a "unanimous" decision to plan ahead for a reinvigorated CCI advertising flight starting in the first quarter of 1986, with the total cost for the calendar year pegged at $12 million.

But reports of what actually happened behind those closed doors, and in briefing sessions just before the meeting, paint a much more complex, less definitive picture of where CCI stands two years after its creation.

The fact is, the CCI board itself rejected a proposal to use the same "soft-sell" spots from the $6 million first CCI network TV flight that ended this past spring in a second, $5 million flight this fall. That was a surprise to CCI staff, who before the meeting said approval of the Fall '85 flight seemed a sure thing.

And at the meeting, some board members sharply criticized the campaign's "creative" and expressed a desire to start anew with totally new creative—and delay national TV buys until it's ready.

Now CCI is scurrying to present its ad agency, McCann-Erickson, with new instructions as to what the campaign should be. As summed up by CCI President Kathyrn Creech: "A harder sell," talking about cable's specific benefits, in contrast to the soft-focus, "feel-good" approach of the first creative effort.

It will remain an "awareness" campaign, not a "Crazy Eddie, come and get it" thing, she says. But it won't have the same softness that put off some critics of the first flight.

There is little doubt that some major industry powers continue to strongly support CCI. Among them are Westinghouse Broadcasting & Cable chairman Dan Ritchie, who served as a guiding force in the CCI movement and was its first chairman; Trygve Myhen, chairman of American Television and Communications, the Time Inc. MSO, and current CCI treasurer; Doug Dittrick, Tribune Cable chairman and new CCI chairman; and Tim Robertson, president of CBN Cable Network, among the most successful of cable programmers.

These players urge their colleagues to continue to fund CCI at even greater levels than in the past.

But some major players didn't show. Most notable among the no-shows: largest MSO Tele-Communications Inc., whose senior vice president of marketing, John Sie, sent a letter to CCI president Creech just days before the meeting, explaining that the MSO has decided not to participate in CCI—a decision that could cost CCI nearly a half-million dollars in lost dues assessments (based on this year's funding levels, not taking into account the increase in funding sought by CCI).

Sie's only comment: "We have decided not to participate. I wish (CCI) luck. If those that participate endorse (another advertising campaign), we would like to see what it is."

TCI was a reluctant participant in CCI, joining the initial effort only belatedly. It was Sie who first criticized

CCI's Kathryn Creech:
"It ain't broke, but it can be better."

the plan for concentrating on a national approach. In response, CCI developed a local system adjunct to its national campaign—an element some executives believe was the most efficacious.

But faced with the prospect of another costly national media buy, TCI has said no—although Creech says she'll attempt to pressure the MSO to rejoin.

ESPN, USA to defect?

TCI is not alone. Warner Amex, Sammons, Newhouse and Continental remain among MSO non-members. Cox, which signed up after initial doubts, is now a staunch CCI supporter.

Also absent at the board meetings were representatives of three major programmers: ESPN, the largest ad-supported network; USA Network; and Turner Broadcasting System. A TBS spokesman said it fully supports CCI and that its absence was due to personal scheduling matters, not any slight on the organization.

But pledges of support are not forthcoming from either ESPN or USA. Most outspoken is ESPN president William Grimes, who tells CABLEAGE:

"The cost of this thing has grown to be outrageous for us. We are at about $190,000 (a year) into this. We have looked at the results of this campaign and our people are not overwhelmed that this investment in advertising has created any significant benefit to the cable industry."

Of TCI's withdrawal from the effort, Grimes says: "That really ticks me off. If TCI, the largest MSO which has the most to gain from this, isn't paying its fair share, I don't see why anybody in the business would be in it."

Will ESPN *stay* in it? Grimes stops just short of saying no: "If I am correct, they want a 50 per cent increase in fees. If that's the case, we have a real problem here."

Kay Koplovitz, USA Network president, also goes on the record as a CCI skeptic: "I looked at the results of the first campaign and (CCI's) research," she says. "When you look at the data, it's hard to prove it was effective."

But how about a tougher, more intrusive campaign, as the CCI board is pursuing? Responds Koplovitz: "We at USA have been rather soft on the campaign. It may be good for the industry, but when it comes down to attracting subscribers, there is a real question of how effective it is for USA."

Charles Townsend, president of Colony Communications and a CCI backer, states candidly that if TCI does not rejoin, CCI must rethink its membership assessments—and its creative strategy. Without TCI, it might be smarter to take a regional, targeted advertising approach, so that CCI members who fund the effort get maximum benefit in their areas, he opines.

"With defections, at some point the efficiency of a national buy no longer exists," he says. "And we're about there right now."

Put simply, some big industry players, while seeking a positive image for the industry as a whole, increasingly are asking, "What's in it for *me*?" The CCI board, Creech and some members acknowledge, realize this. Hence the decision to ditch the idea of a Fall 1985 national blitz (except for a $750,000 radio campaign to continue this fall and into the new year), and to proceed with totally new creative in two 1986 flights budgeted at about double the initial $6 million effort.

Gary Weik, president of Harte-Hanks Cable and of this year's Cable Television Administration and Marketing Society, speaks both as an industry leader and as a bottom line conscious MSO executive. As the former, he supports the concept of CCI. As the latter, his firm is declining to help fund it.

"CCI did what it was asked to do, a public awareness and image campaign for the industry," Weik says. "Whether or not that should be continued, I'm not sure. It's a more difficult task to try a harder-sell campaign when you have all those masters on the board. It's easy to agree to the concept, but the reality becomes more difficult to execute when there are so many masters to appease. Are you selling *my* service, or somebody else's service? It's the too-many-chefs-in-the-kitchen approach."

Weik thinks another CCI campaign will come off, that "some middle ground" will be found. But it won't have Harte-Hanks' money. "We're a

"Warm and fuzzy:" how one pay service wag describes the CCI spots. Here are panels from the soft-sell commercials:

Personal choice...that's what Cable TV's about.

It lets us decide what's important, so we can grow together...and I like that.

CHORUS: Cable's right, 'cause Cable's not just more choice, it's your choice.
SUPER: CABLE...NOT JUST MORE CHOICE, YOUR CHOICE
SUPER: Sponsored by the Council for Cable Information.

Effect of CCI ads according to ORC study

Non-subscribers *were asked to indicate their level of agreement with 19 statements about cable. The following chart indicates the % of non-subscribers who agree "somewhat" or "strongly" with the specific statement about cable, comparing "aware" pre/post to "unaware" pre/post.*

	Pre	*Post unaware*	*Post aware*	*Improvement aw/unaware*
Attitudes relating to discriminating choice:				
■ Cable is for people with a mind of their own	54%	48%	60%	+12
■ Cable is for someone like me	40	35	50	+15
■ Cable offer intellectually stimulating programs	48	46	55	+ 9
Attitudes relating to family:				
■ Cable offers too many programs which are inappropriate for children	54	59	56	− 3
■ Cable offers too many programs with sexual content	51	55	44	+11
Attitudes relating to convenience:				
■ Cable is good for people who don't have much time to watch TV	43	40	50	+10
■ Cable can give me more program choices when I'm ready to watch TV	77	77	83	+ 6
Attitudes relating to value:				
■ Cable is good value for the money	41	37	49	+12
■ Cable is too expensive	59	57	63	− 6
Attitudes relating to programming:				
■ Cable is only for people who love movies	32%	28%	22%	+ 6
■ Cable is only for people who watch a lot of TV	57	54	44	+10

Impression of cable

Subscribers and non-subscribers were asked to rate cable, pre/post the CCI campaign. The following chart reflects the % of respondents classifying cable as "good" or "excellent".

	Pre	*Post unaware*	*Post aware*	*Improvement aw/unaware*
Total respondents	68	66	76	+10
Subscribers	77	77	83	+ 6
Non-Subscribers	54	48	62	+14

Likelihood of Subscribing to cable

Non-subscribers were asked to indicate their likelihood of subscribing to cable within the next 12 month. Chart reflects the % of respondents "likely" (70% or more probability) to subscribe.

	Pre	*Post unaware*	*Post aware*	*Improvement aw/unaware*
Total Non-Subscribers	19	16	24	+ 8

Source: Council for Cable Information

small company, and we had to make a decision on value received," he says. "In our markets, we did not feel we were receiving the value (from CCI) for the dollar."

That sort of reasoning is shared at Arts and Entertainment, a network that has not supported CCI. Like Weik, A&E marketing vice president Andrew Orgel agrees with the concept. Unfortunately, he says, "we are at a time when every consumer dollar we spend needs to increase A&E viewership." And while Orgel approves of CCI's local tie-in materials, that's apparently not enough to get his network, controlled by Hearst/ABC, to change its mind. (Hearst/ABC-Viacom's Lifetime network also is a non-participant.)

While CCI president Creech maintains the first flight was effective in changing consumer attitudes toward cable, she joins board members in expressing the wish that the campaign had registered more than the 44 per cent "awareness" figure as determined by an Opinion Research Corp. analysis of the seven-month effort. "I think it could have been a lot better," she admits. But "when you look at key attitude shifts, the ones we were trying to change, you get nice movement."

Example: After seeing the campaign, 60 per cent of those 1,000 surveyed agreed with the statement, "cable is for people with a mind of their own," as opposed to 48 per cent before viewing the spots.

Programmer doubts

But some research heavyweights on the programming side take issue with CCI interpretation of the data. One of them is Marshall Cohen, research chief at MTV Networks Inc., a CCI member.

"In sum, the ads just didn't break through to the consumer," he says. "Basically, just not enough people recall the advertising. . . .The proven awareness figure, 25 per cent, was somewhat disappointing, considering this is entertainment being advertised."

Cohen arrived at that figure by subtracting 19 per cent, the ORC study's industry awareness figure *before* respondents saw the campaign, from the 44 per cent figure reported *after* viewing of the spots.

Cohen also notes that the ORC questionnaire provided six opportunities for respondents to say they were aware of the campaign, "and it still got only 25 per cent." Also, he maintains, the attitude changes the survey did record were not that extensive.

In one case, the survey showed that 63 per cent seeing the campaign agreed with the statement, "cable is too expensive," compared to 59 per cent before viewing the spots.

Says David Bender, research chief at USA Network: "ORC did a fine job on the research. It was the (campaign's) results that were disappointing ... There was virtually no change in the intention to subscribe. There were some positive attitude changes, but they were accompanied by some negative changes.

"We were told this campaign was a success. But I didn't see large differences between people who saw the campaign and those who didn't see it. And, after $6 million in advertising, a large number didn't see it at all."

Continues Bender: "Maybe the goal of the campaign was wrong. So, if the execution was disappointing, it's not surprising. A local campaign would be more appropriate and more effective."

Westinghouse Broadcasting and Cable chairman Ritchie takes issue with such criticism. First, he maintains the first flight *did* work, and that the research shows it. Second, he notes that CCI's local tie-in campaign effectively provided the local component to a national effort to reshape attitudes. And third, he says that while CCI now will strive to make its spots more intrusive, he points out that CCI is concerned with reshaping attitudes, and is *not* a national subscriber acquisition effort.

Indeed, Ritchie cautions, a national acquisition campaign would be doomed to failure. The goal remains one of changing attitudes—with individual MSOs then following up to close the specific sale.

And, he states pointedly, TCI never availed itself of CCI's local tie-ins, which he says Group W Cable has found very effective.

"You can't just sit there and say it doesn't work if you don't try it," Ritchie comments. "All of us who tried it, like it." He says a CCI tie-in direct mail effort by his firm's Chicago system garnered a response rate three times that of a previous, non-CCI mail effort.

ESPN's Bill Grimes:
"No significant benefit" from first CCI ad flight.

The strategy of CCI is not changing, Ritchie states, although its new creative may be perceived as a harder sell. "The objective is to change attitudes," he says. "The evidence is (the first flight) worked quite well and we're going to try to further refine it."

While Ritchie agrees that recall was "not as high" as he hoped, he noted that for two out of the three spots, recall was "better than average."

Attitudinally, he says, the spots "moved the needle more than was expected."

Ritchie and Creech are not naive; they are aware of the naysayers. But they remain confident in CCI's mission, and adamant that the goal remains sound.

As Creech describes the board meeting: "There was a strong feeling around the table that the campaign did what it was supposed to do—change attitudes about cable. There was an equally strong feeling that we could better do that by being even more forceful."

She says the board's decision not to buy national TV this fall using the existing spots was motivated as much by economics as by the perceived "softness" of the spots themselves. Board members noted that the fall is the most expensive time to buy national TV, and that the air is "cluttered" with broadcast TV promos. Far better to postpone the flight until 1986, when new creative can be ready, she says.

Her original recommendation to run a $5 million flight this fall "probably" wasn't the best recommendation she has made, Creech concedes.

"Of course, there will be people who say it didn't work...if it ain't broke, why fix it," Creech acknowledges. "Well, it ain't broke, but we believe it can be better."

Creech's task now is to create a new momentum, and not let the TCI defection and the doubts of some major programmers jeopardize the entire CCI operation.

"I could tell you that people are committed, but frankly, if we get to September and we show the creative and everybody hates it, then we'll have to go back and do some more creative," she says. "It's a constant checks-and-balances system. My job is to build consensus. My other job is not to let the advertising be done by committee and turn boring in the process."

Among programmers, CBN Cable president Tim Robertson, who was at the board meeting, is a solid CCI supporter who questions those who would discard the first flight spots as too soft and ineffectual. Indeed, Robertson has offered free air time for a reshowing of the CCI commercials over CBN Cable—if CCI determines it can afford

CCI chair Dittrick:
"Obviously, there's a fragile structure here."

the substantial talent rights fees and clearances necessary for their reshowing.

Robertson agrees with the decision to hold off on airing the spots this fall: "Soft spots up against all the noise in the marketplace aren't going to work." He also acknowledges that industry players "were looking for stronger unaided awareness" than the first flight delivered. But he says the course CCI is now taking addresses those issues.

The issue of CCI's direction, as Robertson sees it, splits industry ranks between "CEO types" and "marketing types." He explains: "Here's the problem: You've got the goal of trying to change attitudes nationally, a valuable and worthwhile goal expressed by the CEOs. Within that goal, you say, 'How are we going to pay for this?' Well, it's going to come out of marketing. And the marketing guys say, 'Wait a minute; I've still got to get my new subscribers, I've got to make this campaign work for *me*.' So there is a difference—a dynamic—between the CEOs and the marketing people that created a lot of, well, spirited discussion in the board meeting."

But, Robertson says, "This is not a retreat by any means. We're just trying to spend our money smartly. Why throw money away?"

Part of the problem CCI faces is "reselling its essential premise," Robertson says. "If you're looking for CCI to create specific sales, you're probably not for CCI. But if you're looking for CCI to help change attitudes—a market softener—it's something that's very valuable."

There is real concern, however, that the TCI defection, and the not-so-veiled threats of non-participation by ESPN and USA, could jeopardize the project.

"Obviously, there's a fragile structure here," says CCI chairman Dittrick. "But you've got to be a participant to be a leader. You don't sit outside and take pot-shots." □

Loss of investment tax credit worries some industry money people

Reagan tax plan presents mixed bag to cable financiers

By JOEL C. MILLONZI, Ph.D

What's the likely effect of President Reagan's federal tax reform proposals on the cable industry? While it's almost certain that the administration's plan will face major revisions when it gets before Congress, some sharp opinions about the scheme as proposed are emerging within the business community. And it's not all positive.

While the proposals do sound to some industry analysts as promising greater fairness, there is rising concern that the elimination of some business incentives could actually slow the national growth rate, at least in the short run. That already may be happening, in fact, as deals are held up in anticipation of the tax plan's final form.

More closely related to the cable industry is the likelihood that specific businesses probably will be affected relative to their degree of capital investment—with the form of business structure a major determining factor in measuring the impact of tax changes. For example, new-builds financed by limited partnership offerings may incur greater tax consequences than a simple transaction in which a private company is selling off a system.

Another point: Cable's popularity as an investment to some extent may depend on what happens to the "at risk" clause for real estate. If, as proposed, real estate loses its amplified write-offs, the real estate industry will be denied a plum which attracted many investors away from cable and into real estate.

Leonard Baxt, partner in the firm of Dow, Lohnes and Albertson, describes the difficulty involved in isolating a pure cable interest in the proposal. Says he: "You've got public companies in cable that also have significant broadcast interests which, because they are publicly traded, may be favorably affected in terms of earnings per share and the things that people look for in the milieu of public companies. The private companies in cable may be affected in a different way. They generally are more interested in cash flow and they try to minimize the bottom line in order to pay fewer taxes. Limited partnerships are affected in terms of ways the plan affects tax shelters."

Greater effect on cable

Comparing the broadcast industry with cable, Baxt says: "Some broadcast companies may gain advantages under these proposals, because, in their purest form, they are not capital intensive. They are, therefore, not affected that much by the loss of investment credit or the change in the depreciation rule. Those cable companies, however, that are going to be spending a lot of money in new-builds or rebuilds, or those that have a lot of new equipment to write off, may be more seriously affected by the proposals."

Baxt agrees that cable limited partnership structures may be affected significantly by the proposed tax changes. "Many of the changes," he says, "are clearly aimed at tax-sheltered investment. If the real estate industry loses its preferred position as granted by the 'at risk' rules, it would get everyone on equal footing. If you assume that people will always be looking for investment opportunities, the changes may shake loose some of the money that has historically gone to real estate. That money may start looking at oil and gas and cable. From a cable limited partnership standpoint, such a scenario would be positive."

"Limited partnerships," he cautions, "also face some obvious negatives. The loss of investment tax credit (ITC) and changes in depreciation schedules will probably have a short-run negative effect on cable. Most cable equipment can be written off under 5 years and, under the new rules, it will be 8–10 years. The ability to index inflation into the schedule won't make it quite as bad, but, in all, the advantages won't be as front-end loaded. The interest deductions will be limited under the new rules, and that will also be a negative.

"While the effects of the change in recapture are not entirely clear, it means that tangible personal property or any other intangible asset that you formerly could write off when sold will now be taxed at ordinary income rates. Currently, some of those proceeds are taxed as capital gains. Granted, with indexing, it's possible that the bite won't be as bad. In general, however, it may cost most deals more money."

Baxt, however, sees limited partnership enduring in the investment community because, in many cases, cable is a solid place to put your money. "Cable deals," Baxt says, "are not inherently tax shelters in the same sense as real estate. Ultimately, people will probably see the economic benefit in cable deals. The tax benefits aspects won't be the focus in the future. The general partners will have to do some restructuring and you'll see more income oriented deals, transactions where people may put in more equity."

A 5-year scenario

Tim Burke, corporate tax manager of Jones Intercable, has been looking closely at the numbers. Burke's research shows that the tax reform plan to index capital assets (as opposed to using a preferential rate or capital gain deduction) may not significantly change the after-tax economics of ownership. Other aspects of the proposal, such as the lengthened depreciation periods, reduced tax rates and the like, may tend to offset the effect of the capital gain change. As Burke points out, "Although changes in the holding period of cable property could alter the outcome of this example, the most significant change in the Reagan proposal appears to be timing in recognition of the tax benefits."

Burke questions the logic of some of the proposals. He is particularly concerned with the capital recovery provisions. While Burke feels that the change in the depreciation structure will not have a grave impact on the

Tim Burke *of Jones doubts the logic of some suggested changes*

Phil Wiesner *of Peat Marwick says do deals now to beat tax bill*

limited partnership market, he does believe that in the aggregate the changes may have a negative impact on an economy which has been fueled by the growth of some capital-intensive industries like cable.

"What the White House and Treasury are attempting to do," says Burke, "is get back to what they're determining as an assets-economic life. The only question I have is, if in 1981, when the Economic Recovery Act was passed, these items were viewed as incentives, why have they suddenly been labeled as loopholes? Changing them seems to be a short-sighted view. These incentives have worked very well. They encouraged the renewal of capital investment. Although the changes are not drastic, they made some impact. If you assume a five-year term in a limited partnership and a 5 per cent inflation rate, you wind up with a 70 per cent depreciation instead of 100 per cent. The concept of depreciation as an incentive to invest in capital intensive industries made sense, as did the use of the investment tax credit."

Burke sees the investment tax credit as having more of an impact on large publicly held companies with substantial capital investment. He sees it having less of a consequence from a partnership standpoint because the ITC is spread over a larger number of people. In contrast, corporations primarily use it for themselves. Burke sums up his feelings by saying: "If you look at the capital recovery system overall, the changes being prepared are not going to create a disincentive for building systems; it's more a matter of the tax incentives not being quite as strong."

Looking at the tax proposals from the private corporate viewpoint, David Prescott, senior vice president and treasurer at American Cablesystems, comments: "We haven't paid federal income tax because we've done a lot of construction and our ITC and operating loss carried forward should last into the future. Since this is the case, the tax law changes should have little impact in the short run. I would guess this would also be the case for any corporation that is relatively new and has done a lot of construction."

Tax credit in jeopardy

Steve Backstrom, director of taxes at Comcast in suburban Philadelphia, believes the tax bill's impact on publicly held cable companies will be "close to neutral." Backstrom however, expresses concern over the loss of the ITC.

"We're very concerned about the investment credit, especially about the transition rules that will take place. I think this will particularly hurt the urban builds that are about to take place. I don't think the build decision will entirely turn on the investment credit, but the people who were planning a tax-oriented investment—such as Cox was contemplating in the New York City borough of Staten Island—may find their plan a lot harder to do now. These deals may now have to gain investor favor on an economically-oriented basis."

Another issue facing publicly held companies is what to do with the large tax deferred accounts that are presently on many balance sheets.

"Comcast is a good example of this," Backstrom says. "The change of tax rate could have a very favorable impact on the amortization of that tax account. It could be beneficial to the earnings of a public company. With the change in tax rate, we may no longer have to pay the deferred tax at 50 cents, but at a lower rate which may result in a building cushion in the deferred tax account. This would be favorable to the earnings of a public company."

Backstrom, however, does see the possibility that Comcast may become a taxpayer.

"We had many new builds in the 1981-1982 period and not a significant amount of construction since then. The accelerated depreciation will start expiring in '85, '86 and '87. The newer assets coming on stream will have a longer life without the accelerated depreciation schedule, which may put us into a situation of having to pay taxes. Writing checks to Uncle Sam will be new and different to us, and to others as well."

Industry-sought changes

Philip Wiesner, partner in Peat Marwick Mitchell and Co., believes "there will be an impact on cable because there will be less tax benefits for the operator to sell. It really won't affect the major issue of the amortization of the franchise right, which is still up in the air."

Wiesner continues, "If there has to be an adjustment made because there are reduced up-front tax benefits, I suspect it will be able to be adjusted through some kind of preferred cash return, or some other mechanism."

What changes might cable operators hope to see as the bill goes through the political process?

"Well," says Wiesner, "one wish would be that the whole bill go away. A second wish would be, if it doesn't go away, that the legislators remove any biases in the tax system that may favor, say, real estate or oil and gas investments over cable. If there is going to be an impact on industry, have it distributed equally."

Wiesner suggests the last six months of 1985 hold what he labels "windows of opportunity" for operators. The game: Beat the tax bill.

"A lot of deals may be done this year because you can still get a 10 per cent investment tax credit, a five-year depreciation schedule. These deals will, in effect, be sheltering 50-cent dollars because the 50 per cent top rate will be applicable this year."

Depreciation worries

Gene Gawthrop, senior vice president at Communications Equity in Tampa, isn't as disturbed by the change in depreciation schedule as he is over a change in depreciation recapture.

"I've got a problem with the proposal to tax all gain on depreciable property as ordinary income. After all, a lot of older cable properties' fair market value is greater than the cost. To the extent that the gain attributable to the asset exceeds cost, you're trading that in capital gains dollars for ordinary income. It doesn't seem right to tax gain on a capital asset as ordinary income."

Katherine Marien, vice president and group manager at the Bank of New England, says the tax law changes may slow down the industry's pace of consolidation.

Marien also sees the possibility of the new laws impeding efforts to finance urban builds. Acknowledging that urban builds are likely to be financed through limited partnerships, Marien says:

"In the absence of the accelerated depreciation schedules and the ITC, generating the tax benefits that make that kind of sale attractive to a potential partner could make it harder for the industry to raise the necessary equity dollars to build the big cities. Most of these companies are not going to want to put the big cities on their balance sheet." □

Corporate Profile

General Instrument regroups after a 'difficult' year

"Fiscal year 1985 was a difficult year for General Instrument."

So begins the sober annual report from General Instrument, a leading supplier of converters and other system hardware, and a producer of semiconductors and data systems. Together, the firm's cable and seminconductor segments represent over 60 percent of GI revenues; the report states that in both businesses, "industry-wide market conditions deteriorated sharply during the second half of the year." This downturn, the report from GI chairman and president Frank Hickey states, "offset the financial improvement reported earlier in the year." By the end of the firm's fiscal year, Feb. 28, the firm registered a net loss of $9.6 million on revenues of $993.8 million. Loss per share of common stock: 30¢. By comparison, the firm in 1983 experienced a net income gain of $31.1 million on revenues of $948.3 million. In 1983, each share of common earned $1.16.

Recently, the firm announced its first-quarter 1985 results—a loss of 10¢ per share with a net loss for the quarter of $3.3 million, based on revenues of $218.6 million.

Other 1984 figures tell the story. The firm's short- and long-term debt increased by 31.7 per cent, to $45.6 million. The ratio of current assets to liabilities decreased to 2.9 to 1 from 3.5 to 1.

GI chief Hickey didn't mince words in telling shareholders and Wall Street the glum story. Aside from market conditions, he stated that the firm experienced "operating problems" in several divisions, particularly in new areas such as computer products and local area network equipment. These ills came at a time when C. Morris Chang stepped down as president and chief operating officer of the firm after only a year on the job; analysts say Hickey is running the show as a solo act now, and that's probably the way it will remain.

DBS didn't help. Another negative: GI's ill-fated move into the direct broadcast satellite business with Prudential Insurance and a group of private entrepreneurs. The failure of United Satellite Communications Inc., which went Chapter 11 this April, caused GI to merge its RF and Satellite Systems divisions as a cost-reduction move. The firm took an $18 million tax write-off of the USCI investment, and used its reserves and other write-offs to offset other balance-sheet weaknesses.

Despite all of this, Hickey maintained that the firm "continued to maintain a strong financial condition." At year's end, stockholders' equity per common share was $19.01; total debt as a percentage of shareholders' equity was 7.4 per cent; and cash and temporary investments were $71.7 million. But while the GI board of directors continued its quarterly cash dividend on common stock at the annual rate of 50¢ per share, it decided it "would be prudent" in Fiscal 1986 to reduce the dividend to 6¼¢ "until earnings recovery becomes evident."

Although the cable industry experienced a relatively healthy 1984, GI's hardware orders were "comparatively weak," while pricing was competitive, Hickey stated. And, he noted, many cable operators "changed their focus"—concentrating on the short-term with upgrade plans put on the back burner. Delay in city builds also hurt, and competition was "intense."

Three plant shutdowns. As a result, GI plans to close three cable equipment plants in an effort to reduce fixed overhead. But GI believes in cable, and expects to maintain its leadership position by aggressively marketing addressable systems.

"The era of interactive two-way systems is believed to be ahead, although a few years later than anticipated," Hickey said.

Somewhat shaken by Fiscal 1984, GI management now appears to be redirecting the firm with an emphasis on data and business information systems. In mid-June, the firm increased its equity share of Sytek Inc., a leading supplier of Local Area Networks (LANs), from 51 per cent to 57 per cent. Sytek, benefitting from a pact with IBM under which it is designing and manufacturing components for the firm's PC network, enjoyed record revenues in the quarter ended June 2, and has become the largest company exclusively involved in the LAN business.

Indeed, some Wall Street analysts believe GI is reformulating itself to become primarily a data information systems company. As of now, notes Fred Ziegel, who follows the firm for Salomon Bros., the LAN business comprises a tiny fraction of a billion-dollar business. But, he predicts, "it will be their fastest growing business for sure, addressing a marketplace that is growing by 30–50 per cent a year."

Sytek outlook good. Ziegel notes that Sytek's LAN agreement with IBM could contribute to $150 million in sales for the division this year. Its LocalNet product line allows computer users to interconnect multiple vendors' computers and peripherals over a single coaxial cable, and permits sharing of hardware, software and data base information. The firm has installed over 800 LANs to date.

Eric Buck, analyst with Donaldson Lufkin Jenrette, has a hold on GI stock. But he's hopeful about GI's future. "There is little the company can do in the short term to counteract a general industry malaise," he says. "In the long run, the (cable construction) industry will come back, and GI will have a lot of leverage then. But that is a ways away. Our immediate outlook is not optimistic."

Buck estimates GI will lose 10¢ per share by the end of the current fiscal year. But he and other analysts also believe GI seeks to maintain its leadership position in the cable TV hardware end, and that a predicted resurgence in pay-per-view addressability—coupled with resumption of construction activity in urban areas such as New York City—helps the firm's long-term outlook.

—**Victor Livingston**

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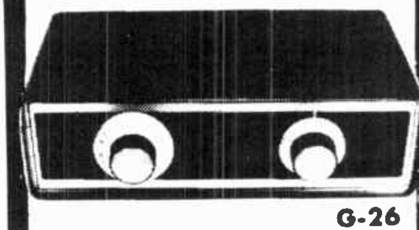

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Wall Street Report

HBO stats disappoint Time

For some time now, analysts have been saying growth in pay cable subscribers is flat, and that the major pay services probably have lost subscribers in the first part of this year. While pay leader Home Box Office Inc. hasn't commented on whether its services have actually lost subscribers, Time Inc.'s recently released first quarter 1985 report states that "subscriber results at HBO and Cinemax, where the growth rates slowed in 1984, have continued to be disappointing in the first three months of 1985."

But, the report states, recently amended film licensing agreements with Columbia Pictures and Tri-Star Pictures (of which HBO is a partner) "adjust and extend existing arrangements with both companies:" The renegotiated agreements "should benefit HBO substantially," the report states.

Despite lower earnings at Home Box Office Inc., Time Video Group results were up slightly. Higher profits at American Television and Communications, second-largest MSO, "more than compensated" for the pay service drop-off, the report says.

While the report states an aggressive marketing effort begun late in the quarter should result in subscriber pickup by summer, "we certainly have no guarantee." And, in a reference to the series of management shakeups at HBO over the past couple of years—most notably, the departure of Frank Biondi, who now heads Cola-Cola Inc.'s entertainment group—the report notes "one fact of major importance: (HBO's) top management team is finally in place, operating smoothly and focused on both creativity and cost containment."

ATC, the report says, expects "another record-breaking year," with its capital costs coming down because major construction is largely over, and revenues going up.

Despite HBO Chairman Michael Fuchs' characterization of pay-per-view as a "1990 banana" with high risk and uncertain payoff, the report states that "we do believe pay-per-view offers potential gains as more homes become equipped with addressable converters."

Also, ATC is on the lookout for acquisition candidates "as pioneer cable operators begin to look to retirement and undercapitalized owners run into a financial squeeze."

Sharp earnings drop at TCI

A not-so-hot first quarter report from Tele-Communications Inc. shows a 37.6 increase in total revenues for the three months ending March 31, but earnings from continuing operations of only $364,000 compared to $12.6 million during the same period last year. Earnings per share rose only 1¢ during the period, compared to 28¢ last year.

Total revenues were $139.3 million for the quarter, compared to $101.3 million for the corresponding period last year.

The company said the drop in earnings was due primarily to increase in interest expenses and decrease in non-recurring gains from sales of assets. The firm had a $14.9 million gain on sale of assets in the first quarter of 1984, compared to only $812,000 this year.

President John Malone noted that subsequent to the first quarter, the firm filed a registration statement with the Securities and Exchange Commission for 2.5 million shares of Class A common stock. Additionally, the company made a shelf registration filing for up to $250 million in debt securities. Proceeds from the sale of securities will be used for general corporate purposes, including reductions in bank debt, capital expenditures, acquisitions and investments, Malone said.

FNN shows modest gain

Financial News Network is making money for the second consecutive quarter in its four-year history. The company's report for its third quarter, which ended May 31, shows a modest net income of $105,132, compared to a $1.7 million loss for the third quarter of 1984. Earnings per share were 1¢, compared to a 23¢-per-share decline in stock value for the corresponding period last year. The revenue increase amounted to 93 per cent, with a 5 per cent decrease in costs and expenses. The month of May also marked the first million-dollar revenue month for the company.

Said Earl Brian, chairman of FNN, "It is especially gratifying that these profits were derived from operations without additional revenue benefits from our new prime-time and weekend sports programming service, SCORE, which was launched on May 29."

The expansion to 24 hours was accomplished through a joint venture with AB Sports, a subsidiary of Anheuser Busch. It is expected to increase costs some 16 per cent. But FNN also is tripling its programming, and thus its available advertising inventory. That, the firm's officials said, puts it in good position for the long term. FNN is available in 18 million cable households.

Merger mania numbers

Here's one for all you business media trivia nuts: How much did merger and acquisition activity increase in broadcasting and cable in 1984?

If you answered "38 per cent," you're right—at least according to figures supplied by W. T. Grimm & Co., which puts together something it likes to call the "mergers at Review."

Of special interest to cable people: Two of the five largest broadcast-cable transactions involved cable players. These were Texaco Inc.'s divestiture of its remaining 86 per cent interest in Entertainment and Sports Programming Network to American Broadcasting Cos. for $202 million; and General Electric Co.'s $132 million divestiture of GE Cablevision Corp. to United Artists Communications Inc.

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Wall Street Report

Media group followed by Salomon Brothers outperforms S&P 500 Index

For the seventh month in a row, the media group followed by Salomon Brothers Inc. outperformed the Standard & Poors 500 Index. The media group's relative performance during that period, according to Solomon's May media research report, "has been the most consistent since the August, 1982, low." In each of the last seven months, the report says, media stocks have outpaced the S&P 500 Index by between 2.2 and 4.6 percentage points. Also, the relative performance of media stocks over the last three, six and 12 months is described as "consistently above average."

Both Capital Cities and Tribune are in a market with an above-average record of growth in television advertising revenue."

The Salomon report also points out that the fact that Tribune now has TV stations in the three largest markets in the U.S. "ought to improve the company's ability to buy programming."

Television advertising sales trends for the companies followed by Salomon during the first quarter of 1985 varied considerably, due, according to the brokerage firm, to a number of factors:

- Absence of Olympic advertising at ABC affiliates.
- Favorable comparisons with the first quarter of last year for independent stations.
- A soft spot market.
- Variance in the economic health of different markets.
- Relative strengths of different managements.

Some examples of the diversity of TV revenue performance during the quarter: Capital Cities (excluding acquisitions), up 0–5 per cent; Tribune, up 29.6 per cent; Washington Post Co., up 15 per cent.

Stock market performance of selected media companies followed by Salomon Bros.

	Last trade					Change in last			
	May 1985	Apr 1985	Feb 1985	Nov 1984	May 1984	Month	Quarter	Half-year	Year
Gannett Co., Inc.	$61¼	$59	$57½	$44⅝	$39	+3.8%	+6.5%	+37.3%	+57.1%
Knight-Ridder Newspapers	36½	32⅞	32⅜	27⅝	25	+11.0	+12.7	+32.1	+46.0
New York Times Co.	49	43⅜	39⅜	35¼	27½	+13.0	+24.4	+39.0	+78.2
Times Mirror Co.	52¾	51¼	49⅞	39	36	+2.9	+5.8	+35.3	+46.5
Tribune Company	44⅞	42¾	41⅛	33½	25	+5.0	+9.1	+34.0	+79.5
Washington Post Co.	128	117	96½	80¼	74	+9.4	+32.6	+59.5	+73.0
Capital Cities Com., Inc.	216	212	177½	155⅛	145¼	+1.9%	+21.7%	+39.2%	+48.7%
Tele-Communications, Inc.	32⅝	29⅜	24⅛	20⅞	16⅛	+11.1	+35.2	+56.3	+102.3
Time, Inc.	55	54	47½	41⅞	38½	+1.9	+15.8	+31.3	+42.9
Viacom Int'l. Inc.	45⅞	44½	40¼	31⅝	26½	+3.1	+14.0	+45.1	+73.1
Dow Jones Industrial	1,315.4	1,258.1	1,284.0	1,188.9	1,104.8	+4.6%	+2.4%	+10.6%	+19.1%
S&P 500	189.5	179.8	181.2	163.6	150.5	+5.4	+4.6	+15.8	+25.9

Tribune's KTLA purchase

On the basis of first quarter results and early second quarter advertising sales strength, Salomon increased its 1985 earnings-per-share estimate for the Tribune Co. by 5¢ to $3.05 and its 1986 EPS estimate by 15¢ to $3.55. This does not include a "potential dilution" from the proposed purchase of KTLA(TV) Los Angeles from Golden West Broadcasters.

Although the Salomon report points out that the acquisition of KTLA is expected to dilute Tribune's earnings by 50¢ per share during the first full year of its operation within the company, it regards the purchase as "a positive move by management," adding that the station "is probably the most profitable independent television station in the United States and

CapCities–ABC merger

The proposed CapCities–ABC merger is viewed as "positive" by Salomon because "earnings and private market value per share are expected to increase at a faster rate if the merger takes place. (It has been approved by shareholders of both companies and now awaits Federal Communications Commission approval). Salomon estimates the merged company's year-end 1986 private marketplace asset value at $418 per share. This, according to the brokerage firm, would be a potential 45 per cent further price appreciation.

Knight-Ridder Newspapers, Inc., which owns five television stations, was singled out in the report as being a company with a long term record of "above average growth."

Merger *(from page 43)*

ment. Buyers often engage in a leap of fantasy that a station that was earning a 30 per cent margin under prior management can suddenly operate at a 50 per cent margin because the buyer believes he is a better manager. This optimism is in addition to the fact buyers are always discounting future years' cash flows anyway.

Suter: But for an operator who's done it before, especially a number of times, it's not a leap of fantasy. It's based on what they feel they can do in light of their experiences. But if it's an owner and investor who has never done it before, the fantasy leap syndrome is more of a risk.

Gibbs: Much of the money coming into the business now is new money.

Gibbs: Because the experienced broadcasters are not the ones, generally, who are paying the high prices.

Many of the people coming in and paying those high prices are not the experienced broadcasters—the old-timers, by and large, have not participated in a lot of the activity. It's basically new money coming from other industries. They've been the ones saying, "I've got to get it now or I'm not going to get it." . . . Yes, Taft bought Gulf, and Tribune bought KTLA, but I'm thinking about an SFN and KKR, a Murdoch . . . they have not been in the business before.

Suter: That's true.

Gibbs: It's a mixed picture.

Hoffman: But the fact of the matter in this industry is that if, like SFN, you pay too much for a station and you own it for a year, somebody is going to buy it from you for more than you paid for it.

Gibbs: A lot more.

Hoffman: So that you can make a mistake, get in there, see that you made a mistake, and you can palm it off on somebody else who is equally as optimistic as you were when you started.

Goldberg: *Assuming that the advertising industry is going to keep paying the way they have been.*

Hoffman: Well, at the prices we're talking about now, it may be more difficult to do that, but I still maintain that if a year goes by, from the prices we're in today, you can probably get out at that price a year from today for some of these properties.

Goldberg: *Let me ask the other part of this—to what degree do you expect advertising expenditures to increase in the television industry? Over the next five to 10 years.*

Fuchs: I think there's no reason to expect that advertising in total, and in television, won't grow at least at the nominal GNP rate. So I think the onus on operators is cost control.

Gibbs: I would also say it's a question of market share. As you get into each market, you really are going to be fighting harder and harder to establish a firm footing. With more and more independents coming on the air, network affiliates can't just assume they're automatically going to get a 30 per cent share of audience because of their affiliation.

Suter: I think of the dollars flowing into television advertising in terms of a total pie. The actual size each year depends on factors such as if it's an election year, a nonelection year, the economy, etc. But the total pie keeps growing and, I think, will continue to grow at a very good rate. So the background is a very positive background. I think in some markets even, television time is underpriced.

If you put a new, strong owner in there who knows how to price better, which happened in Dallas a number of years ago, all of the sudden the dollars flowing in can grow very quickly. The stations have a unique service the advertisers need. If the stations realize that and they market accordingly, they can do very well by continuing to raise their prices aggressively.

Hoffman: The merger mania is not limited to the broadcasting business. It is also going on in retailing, as well as many other industries, and it has implications for the relative growth of national versus local. A local retailer who was not an aggressive advertiser can be acquired by a chain and converted to a meaningful national advertiser. The merger mania is creating new national entities which have to use TV advertising more aggressively than the parts did before.

Goldberg: *Well, how will this then affect the spot people or the local, if you're going to have more on a regional basis?*

Hoffman: It will certainly, I think, increase the relative growth rate of national vs. local. Local has been outperforming national for quite a long time, and I think we're going to see a closing of that gap. I don't think it will ever close completely, but certainly we'll see national growth rates enhanced by this and local growth rates diminish somewhat.

Suter: I certainly agree with Tony. There are national trends which will help. Business consolidations mean the more sophisticated advertisers who know how to use television will control more advertising dollars. There is increased use of co-op dollars for television. All the trends seem to be favoring more and more dollars and new people coming into television advertising. When an advertiser comes in from a "new" industry not on TV before, that puts pressure on all his competitors to start advertising on television. You can't let someone come into advertising on television and stand by the wayside. So new groups keep coming in—the whole group and the amount of dollars flowing into television keeps growing.

Hoffman: I think you've touched on a point—the growth rate of advertising, which is the reason which underlies the willingness of investors to capitalize the value of a broadcast license at these high prices. Those of us who analyze the broadcast industry take it as a given that the industry has close to a guaranteed percentage increase in revenues year after year after year, and it is an industry where properties, properly managed, have incredible operating margins compared to nearly any other industry. That's the very reason there is an excess of investors wanting to redeploy their money into this industry.

All we're really doing with these purchase prices is capitalizing on growth annuity.

Gibbs: I think Tom Murphy has been known to say that the advertising business is a royalty on GNP. In a certain way I think that probably sums up very well what we've been talking about.

Fuchs: As long as we continue to see the tilt of the economy continuing to move in the direction of a highly competitive consumer-driven economy, this industry sits right in the middle of that railroad track, and there's no reason to expect any change.

Gibbs: Coming back to the point we were making earlier about the overall growth picture in broadcasting vs. the outlook for individual properties—with independents coming on strong, growing audiences for basic cable networks and the explosion in barter syndication, I can't help thinking that for the individual station, it's going to be a much more competitive environment in the years ahead than it has been in the years past.

I have no doubt that the advertisers are still very interested in television, but there are other ways they can now spend their money on television. They need not only turn to the network affiliates to reach the audiences they want. And so I think you are looking at a much more competitive business at the national level going forward than you had, let's say, in the last 10 years.

Hoffman: Overall, it will be more competitive, but each market really has to be analyzed separately. The markets are as different from each other as you can imagine. Each has its own unique characteristics, the operators who are there, the operators who are coming in, how many channel allocations there are, all these things can have a great impact on the performance of an individual station. Some markets are just incredibly competitive; in Orlando where we've got five new independents coming on in the next two years. They don't need five new independents in that market.

Gibbs: Will five survive?

Hoffman: Of course, they can't.

Goldberg: *You're talking about—what approach is usually used to estimate the value of a property? The market would be one, but do you go into the programming, do you go overall, do you take cash revenue, do you talk about dayparts, program segments? How do you evaluate these properties?*

Griffith: When people come into a bank to borrow money against a property generally they've already made up their mind; they've gone through the rationalization process of what they want to pay for that property and basically they're influenced by what they saw other stations go for. It's the old orange and apple problem, and that's the first thing the lenders often have to try to address with the borrower. We try to get them to arrive at what they think that station is worth to them and to their investor group . . . to determine return on investment.

We are frequently asked, 'How do you reach that conclusion?' The answer is you have to prepare your own business plan; you have to come up with what you think you can do with that station . . . the projected results over the next five, 10 years. Sometimes they say, 'well, can you be more specific,' and I say, well, if I only have one line to look at in your projections, let me look at the revenue line. Of course, a great deal of analysis can go into a revenue projection, and you can get right down into dayparts and market share and points and how many spots are going to be available; and there is an increasing amount of sophistication in that area, I think, from what I saw, say, 10 years ago.

Fuchs: Ultimately we're trying to come up with a valid discounted cash flow-rate of return analysis which is going to incorporate in every individual case a variety of factors that go everywhere from technology to the revenue growth of the marketplace, the dynamics of the marketplace, the shares that are earned in terms of audiences by the individual station. It's very hard to say that two ever look alike, even though we all tend to talk simplistically and use a cookbook formula of saying well, 12 times cash flow or whatever the number is. They are very individual calculations.

Goldberg: *Do you ever take into account station image or community affairs or any of that stuff when you do these evaluations?*

Hoffman: Not much. A strong reputation for community involvement would be the frosting on the cake; it really doesn't have any effect on the price. I'd like to get back to what Joe said about discounted cash flow calculations. I will submit to you that if you had access to all the calculations done by all the people who participated in the auction of a station, you'd find that most arrived at about the same value for a station based on the outlook for the economy and the projections for the station and a realistic assessment of the future competitive environment. But then they throw those out the window, and emotions determine the price. When the guy at the other end of the table suddenly bids two multiple points higher than you were prepared to bid, then you're into the question of, do I really have to have this station? The reason for this is the scarcity of major market VHF licenses. The prospective buyers know that they will probably not be able to buy a station in this size market again. Few buyers will have a chance to buy stations like those that are being sold now at any point in the future.

Fuchs: That's like buying a house that your wife loves.

Goldberg: *But do you all agree that there is no monetary value attached to the public affairs and community involvement of a station?*

Griffith: I think that's the thing I alluded to before, particularly if you live in a community and you haven't been a broadcaster, there's a certain sexiness to the business, people want to talk about it at cocktail parties.

Fuchs: I think there's an economic value to it. Certainly we look at a marketplace and you assess the share of revenues extracted by an individual station against his share of audience, and there are a number of factors that come into play in that issue. One of which is the position of a local company in that community.

I think being firmly entrenched in the fabric of a community can often lead to an extra share point of revenues, and it is very economical.

Hoffman: It is really not appropriate to put community involvement into the equation because number one, a station that is entrenched is so because of the management of that station who, after it's acquired, may no longer be associated with that station. So that can be a trap. Community activities are among the first things to get cut back when a real bottom line profit oriented group tries to squeeze every penny out of the property.

Gibbs: I would submit that there can be a monetary value attached to the public affairs and community involvement of a station—but not in the way you would like it to be. A prospective buyer can look at those activities and say, "Oh, we can just get rid of that effort and, therefore, we can afford to pay more for the station because we're going to replace it with something that's much more bottom line-oriented, something that's more of a profit contributor. In a certain way, then, community involvement can enhance the value of a station, but not for the reasons you were suggesting.

Suter: I think in terms of the emotional aspect, it gives you a lot of power to own a television station and run a television station, so people may want to pay higher for that aspect. The whole ball of wax together, including the politics, the public affairs the enticing power aspect may make you pay more, if you want that.

Hoffman: I'd like to simplify that point a bit. The broadcast industry has many operators in it who decided to buy a station because they thought it would be nice to live in that market, and they paid two or three multiple points higher because they always wanted to move

From l.: *TV/RADIO AGE editor Alfred J. Jaffe; Gibbs; Goldberg; Suter; and TV/RADIO AGE publisher Sol J. Paul.*

there. This injects emotion into a business decision, which results in a higher price for the station, which sometimes has a negative effect on their ability to run the station competitively. This is particularly true in radio.

Goldberg: *Now, we're talking about new ownership, coming in and buying properties; some of them have experience in broadcasting and some do not. To what degree do you think the ownership is going to affect the operation of the broadcast properties? You're talking bottom line but let's get substantive in terms of programming. How do they affect that?*

Hoffman: There's little question that with the monkey on your back of all those bonds or all that debt to service, the first couple of years will produce little excess cash flow for speculative ventures in new programming, and it even rules out buying the most expensive programming that's available. Heavy debt service produces a dire need to cut the costs of the operation, and hope that the revenues won't be impacted too badly. So the initial effect is very clear. The property will have to be run very very lean, just to service the debt.

Suter: But if you're a big corporation and you bought it, as a key link to your syndication production activities . . .

Hoffman: You do it differently.

Suter: And gamble more with programming.

Fuchs: There's something in that. The question suggests maybe a lack of consistency between profits and public interest responsibility, and I still view this as the ultimate consumer product. People elect the programs that they watch, every few minutes on the Nielsen meter. We only elect what soap we buy every few weeks when we walk down the supermarket aisle. I don't see any difference in it, and to the extent that a station is providing programming that garners a larger audience, the economics will flow with that. And that to me is being responsive to the marketplace that you're serving. That is the public interest.

Griffith: I've seen numbers of situations that were—not the major corporation obviously but where, particularly in radio and to a lesser extent, television, where people were so over financed and so strapped, where they've had to defer capital expenditures and probably most important, they haven't had the promotional budget in reserve to fight the competitive challenges, whether it's renting billboards or going out and bidding for some counterprogramming; and it's hurt them.

Hoffman: Just a 30-day slip in receipts relative to projections could put some stations under. Many stations' projections are based on timely collections of receivables.

Suter: Ask Johnny Carson.

Hoffman: Exactly—a good example.

Goldberg: *Well, we're talking about one aspect of it and that is these buyers who are putting money in, etc. Let's switch it a little bit. Public companies. Now you have these—I don't want to use the word Wall Street that way but you're not allowed, according to the rules for a passive institution, to own more than 10 per cent. But it has been said that Wall Street people are very much like sheep. And so that if you have five or six institutions, each owning 10 per cent in a company, in effect it becomes an entity. How is this going to affect the operation of these stations?*

Hoffman: I don't know that it's going to affect it at all. First of all, the rules regarding institutional ownership are not looked at very closely by the FCC. They have the information available to them but they've rarely enforced the rules with respect to major financial institutions, with the exception of one that was done back in the early '70s. It's a subject that is hardly ever important because institutions are generally passive investors, with the exception of the arbitragers who have taken center stage recently.

Gibbs: I think we've had some evidence recently of how institutional ownership can affect the management of a broadcast operation with the Coniston bid on Storer. The fact of the matter is that the institutions did not really vote in unison in this case. Some voted for the existing management, and some did not.

"I don't think you can say any longer that just because there's a majority of ownership by institutions that they will necessarily all vote in the same direction.

Goldberg: *Well, let me give a scenario. Instead of buying or selling or selling off properties, you have a station management that is doing a job but not making the kind of money, bottom line, that is expected by these institutions. They have the right to sell and if they sell at one time, which sometimes happens in Wall Street, then how is this going to affect the station's operations?*

Fuchs: Hopefully for the better. I mean, the Wall Street community holds the management's feet to the fire in the same way that the audience does. If a mangement is mismanaging to the point that the economics or some other aspect of the corporation is not delivering on a reasonable standard, Wall Street will turn against that management, the stock goes down and that puts the company into play.

Goldberg: *You have two things working. You have audience on the one hand and you have cost on the other.*

Suter: Management is responsible for both. If they don't do a good job, the stocks are down, and that could lead to something happening. But each in choosing makes their decision independently. As you said, if they don't like things, sell the stock.

Goldberg: *What about the short term vs. the long term approach on a station management?*

Gibbs: That's been an issue for some time now, even before all this merger activity began. Anytime a company announces that a quarter is going to be flat, or worse yet, down, a number of institutions will likely say, "well, we're not going to wait around for a recovery," and they just bail out. This does not necessarily produce a real change in the direction, management or ownership of the company. It rather acts to sort out the believers from the non-believers.

Suter: Well, one way to avoid playing the game, if you call it a game, is that they can go private. Harte-Hanks and Metromedia did it, and Multimedia is close to doing it. One of the big reasons they went private was that they wanted to get away from the Wall Street scrutiny and pressure. So it has played a part in all this.

Griffith: I would maintain that in the last 12 months, the most influential people in the broadcasting industry are not broadcasters, but the institutional investors.

Goldberg: *That's exactly the point. How is this going to affect the broadcast industry over the next 10 years, let us say?*

Hoffman: It brings a short term orientation to every decision that's made. You just can't tolerate unhappy surprises on earnings the way you can if you're a private company.

Griffith: I take it one step further. I think you've got to look at the next 10 weeks and the last 10 weeks. And I would say that I think—it gets to what Joe and Tony said when we first started talking—once the investment community is able to convince themselves and convince the public of this value gap, and one of the maximizing returns on their investment is to force the management of these broadcasting companies to somehow provide the institutional investor a way to make sure that the gap was closed.

Fuchs: I think that if we have to judge if that's good or bad, I would still argue that that is good. That is the hallmark of the free enterprise system. And the balance between economic returns as well as good market performance, whether it be revenue or audience, is a

balance that you're really seeking to achieve.

And where a company is grossly out of balance, that management's feet should be held to the fire.

Goldberg: *Well, what about this, long term Alan?*

Griffith: I would agree with you. How do we define the value gap? The value gap is defined by the market value of the individual properties owned by these companies, and as we alluded to before, these might not be true, real values, that are based on a traditional normal return on investments analysis . . . again based on projected operating results that are attainable. And I think that when the market is taking the highest individual market value on a property, backtracking and adding them up and comparing that figure with the company's current market capitalization—thereby creating a value gap—that's where we really have a problem.

Fuchs: But in many respects, that's a function of the overall marketplace. Standard & Poors 500 is selling at about 10 times earnings right now. If the S&P 500 were selling at 14, 15 times earnings, not its historical high of 19, if it were selling at 15, then the value gap would just disappear by the normal functioning of the marketplace because the discounted cash flow against the cost of money would result in one answer which we call now an asset value answer; whereas the minority public market value, which is the stock market value, has created a wide gap because of valuation in the public market broadly. That would then narrow and you wouldn't have this value gap.

And I think it has to do not so much with the fundamental operating characteristics of this unique business but the broad value structure in the marketplace.

Suter: This means that management can be doing a very good job and still have a value gap such as in the case of CapCities, especially before the ABC deal. It is really more than just the job done by management; it's the whole market evaluation that exists.

Fuchs: It happens in oil, and it happens in some of the others too.

Gibbs: Many of these companies have been public for a number of years. The issue of being held accountable for quarterly performance, for near-term vs. longterm performance, has been around for quite some time.

The difference now is that institutional shareholders have someone else to sell their stock to, which was not the case before.

Now when a company's earnings decline, and its stock price starts to fall, chances are a management group will come in and make a bid for the company, thereby maximizing shareholder values. In some cases recently, outside groups have performed the same function, e.g., Coniston trying to liquidate Storer or a Ted Turner proposing to dismantle CBS. All of these actions have tended to serve the shareholders well. I think that's the difference now. Institutions have held the majority of media stocks for many years. That's not what's new.

Goldberg: *Let's think about it in terms of being the manager or the owner of the station. He has to buy property, he has to buy programming and programming is a long-term investment, two, three years ahead. With Wall Street looking over his shoulder, what do you think he's going to be doing in terms of his commitment to that kind of programming?*

Griffith: I'll tell you what he's going to be doing. I see it all the time and in some cases it's a smoking gun out there because a lot of buyers get trapped by it. They're going to go for the short term kill, they're going to go out and pay through the nose for programming to drive up those ratings, but they're going to buy that programming on certain terms so that the cash incurred to pay for that programming is not going to be for any extended period of time and then they're going to have to pay the piper after that programming is gone.

Gibbs: Or they sell the property and let somebody else has to pay the piper.

Hoffman: There are lots of deals that we're hearing about today that are stepdeals, where there is the free episode price for the first two years, and then it leaps to a much higher rate in the third and fourth and fifth year, and they figure, well, I'll get the ratings up first, and then I can pay for it.

Gibbs: Or let the new owner pay for it.

Fuchs: And the ultimate absurdity is the Home Box Office deals for motion pictures which is now going into reversal. So bad decisions are forced on managers who don't analyze long-term . . .

Goldberg: *But would you say, it is also the effect of the public and Wall Street emphasizing short term so that his thinking now changes?*

Hoffman: I don't think there's any question about that. But we should not limit our concern, over the short term, to broadcasting. It is the rule throughout our economy.

In many respects, I think the long-term planning aspect of broadcasting properties has been relatively unimportant compared to the longterm planning aspects of the steel industry or other manufacturing industries, where decisions to build new plants have got to be made five or 10 years in advance. Short term thinking is true in the broadcasting industry but it has less of an effect than it does in many other industries.

Griffith: I think it doesn't matter if it's public or private, where they're trying to escalate value by generating higher revenues very quickly and minimizing expenses in order to increase the operating cash flow and then to sell at an ever increasing multiple. You really have to dig into the numbers and see what generated those revenues and all the expenses.

Suter: I agree. You have to do that. More so even than a year ago.

Fuchs: This pendulum has swung back and forth a number of times. In the past, it wasn't stimulated by merger mania, but in many markets it was stimulated by ego. The desire to have the highest rated station in the marketplace caused people to grossly overpay and run their stations at very much below average profit margins; and it gratified their ego.

I think we've seen this pendulum—a willingness to pay for programming or overpay for programming—not only in the station business and the syndication marketplace, but we've seen it in the networks a few times, too. It is the same phenomenon.

Griffith: I would maintain—and I have no statistics to justify this—I would say broadcasters have increased the average dramatically.

Gibbs: There was a time when broadcasters had trouble raising money. Now banks and other lenders are pursuing the broadcasters, wanting to know if they can lend them money.

Fuchs: And the S&Ls buying junk bonds. It's all part of the financial pendulum.

Goldberg: *I can tell you a story where I wanted to buy a radio station with another fellow, talked to one of the prominent investment firms and it was an opportunity that will never come again—$14 million for two stations in New York, AM and FM radio. He wouldn't do it, but if I was losing money on cable, he would have given me all the money I wanted. But radio with a guaranteed profit from day one, he turned it down. It's a whole different business today.*

Let's get back to two things. Ellen, you were talking before—you said Lorimar was bidding for Multimedia. They've already gotten a couple of advertising agencies, they're in the production business. Murdoch now with 20th Century and owning stations. Do you think that the Hollywood now, with Coca Cola and the others will now go into station owning business as well?

Gibbs: I think what Joe said earlier is very much to the point. Production companies must have accumulated a lot of cash from their recent successes. They are looking for what would seem to be logical ways to invest these funds in related businesses. I think owning their own distribution system, i.e. owning television stations, makes good sense for them.

Hoffman: I would think that what has happened over the last 10 weeks in this business might have turned them off on station acquisitions at this time . . . Columbia has tight financial controls and a minimum rate of return. They have got to be astounded at the prices that are being paid for these properties. In this price range they must be thinking about backing away from making any serious effort to get into station ownership.

Goldberg: *How about the other movie companies?*

Gibbs: They haven't been heard from.

Goldberg: *The movie industry, previously, before antitrust, always liked to have distribution as well as production.*

Hoffman: I think the most likely candidate would be Paramount's parent company, Gulf and Western. The Wickes deal will give them a billion dollars in cash, that's certainly a very nice nest egg, and I think they would be willing to enter the TV station market.

Goldberg: *What about the advertising business? Do you think that that's another area where the advertising agencies . . .*

Gibbs: I don't know that they have that kind of money.

Goldberg: *There's one thing which was brought up before, Joe alluded to it. In the license of every station there is a little phrase about public interest, convenience and necessity and really, we haven't really discussed it at all. Joe?*

Fuchs: I think it's one of the most difficult issues to discuss. What is the public interest and how does an operator do it? The environment in Washington has certainly put much broader parameters around that definition so that it is almost, one would surmise, a nonfunctioning phrase at this point. Now, is that good or bad? I would argue personally that it is probably good. I would much rather the marketplace adjudicate public interest than big brother. But that is of course the issue, and the philosophical issue being argued in a number of areas in Washington currently. But if a station does not operate in the public interest, and people don't watch it, and advertisers don't advertise on it, he's not going to be around for very long and I think that solves the problem . . .

Hoffman: What's the definition of the public interest? The FCC has declined to define it, the Congress has declined to define it, and all the broadcasters are saying, "you tell us what it is that I'm supposed to do and I'll do it, but they're not about to try and anticipate what Congress or the FCC would stipulate and I don't think the mood of the FCC or Congress right now is to define it. As a result, what you get is public interest being defined as maximizing ratings, the broadcasters' favorite definition of public interest. But it's the age-old conflict, should we give them what they want or should we give them what they should have?

Fuchs: We elect broadcasting programs in the same way we elect our politicians. It's all sort of political definition of good. He who gets the most votes gets elected and serves in office in Washington and everywhere else.

Gibbs: I would submit that the FCC has to a certain extent redefined the public interest by calling it the marketplace. Whatever most people want, wherever the money is flowing, that has now been redefined as the public interest, for better or for worse.

Goldberg: *You're in a business where you have to look at the short as well as the longterm. Let's take a hypothetical case that the next administration is not the same as this one and that the Democrats come in. What happens to your valuations?*

Gibbs: Just remember, Mel, that deregulation started under the Democrats. It is not a Republican phenomenon. I don't know that we can really be assured that a Democratic administration is going to undo all the Republicans have done.

Goldberg: *What's the definition of a good broadcaster? Yours would be what?*

Suter: Someone who does deal with the public interest. He obviously also has to run a profitable company. Some, such as Captial Cities run a profitable company but also try to give something back to the community. They do it by producing programs they think people should see, even at a loss. To me that makes sense on both counts, as a citizen and as an investment analyst. Now maybe all entities you can't do that, but that's the kind of thing that might be included in a definition.

Hoffman: That's a tough issue. I think you could ideally say that operating any company in the public interest and being a responsible corporate citizen in the end is good business for the company. I mean, the one thing you see will be some stations not producing public affairs and news programs—I think the industry has learned that there's only so much room in the market for 6 o'clock news and most of the new independent stations started in the last two years by experienced broadcasters, have totally eliminated any kind of a news budget whatsoever.

Is that pulling away from the public interest, or are they just dealing with an economic reality?

Goldberg: *Pulling away and getting into other things—switching for a moment, and I'll get back to it—we haven't mentioned barter in this at all. Do you ever figure barter in any of your evaluations and how? Tony?*

Hoffman: It's a relatively big number in the absolute, but when you break it down into each individual station, it's relatively small factor in most stations' profit equations. In many cases the newer independents are the most aggressive users of barter to enhance the bottom line.

Suter: Well, barter has probably slowed down somewhat the demand for national spots.

Gibbs: In talking about the competitive factors affecting broadcasters today, I think you have to look at barter syndication carefully. If you're a network, there's no question barter is siphoning off some of your advertiser dollars. If you're a station, to a large extent you're looking at barter syndication as a cost-saving device to defray some otherwise very high syndication costs. So I think barter is certainly a factor to reckon with, but I don't think you can look at it as a competitive entity unto itself, except if you're a network.

Hoffman: In effect you're borrowing money from the syndicators. That's what you do when you take a barter show, and it means that you don't have the cash to pay for it because he's going to be charging you his interest plus profit. So if you're doing that it's a mark of a station that's been a little strapped for cash.

Goldberg: *And it also reduces your inventory.*

Hoffman: It reduces your inventory a lot.

Gibbs: But it also reduces your expenses so it depends which line you're looking at.

Fuchs: It's just one piece of this whole economic and technological fractionalization issue, and I think I fit it in with what you said before about the fourth network and a whole range of other issues. It's just one piece of that puzzle, but it is part of fractionalization.

Goldberg: *What about the new technologies? Do you think any of them are going to have an impact?*

Suter: Like I said before, they have not had much of an impact at all. I see that continuing. The VCRs are an unknown; we don't know yet.

Gibbs: Well, if you're a cable operator you know that it's hurt your viewing. If your're a television broadcaster your not sure.

Goldberg: *How about the erosion, for example, that the TV networks have undergone recently?*

Hoffman: Well, the erosion that's gone to independent TV stations is really just a redistribution of revenues within the industry, from affiliates to independents. The erosion that's gone into pay TV and things like that really has no economic threat for the commercial broadcasters because it's not an advertising media. The advertising money still has to cram into the viewing that's left, and as long as we don't create new advertising media, and they offer the same kind of features that television does, I think commercial broadcasting is going to continue to dominate as they have.

Gibbs: And, besides, given the high disconnect rates we keep hearing about, especially on multiple pay services, it appears the viewing may possibly be going back to the over the air networks.

Goldberg: *Or basic cable.*

Gibbs: Or the basic cable networks.

Griffith: I think it's something that any responsible thoughtful businessperson must consider in preparing that set of projections we were talking about. We talked about the level of assurity and growth in the advertising dollar coming into the marketplace. One of the great things that's covered up all the mistakes, miscalculations in this industry for so many years is that the advertising pie has just grown while you look at it and if we as broadcasters had a small slice of it and we're able to increase this slice while the pie was getting bigger, we have been able to show dramatic results—20–25 per cent annual growth. I would maintain that clearly the pie is going to be fragmenting in the years ahead and one of the concerns is that that pie isn't going to grow as fast as we thought it would. It still can be a good business but maybe you're going to have to settle for 5–6 per cent growth, which isn't bad. IBM would like it this quarter.

Unfortunately, a lot of people have gone out and done their business plans and borrowed money based on, well, we're conservative, we're only going to project 13 per cent average growth in the next 10 years, without exception, and that's down from the 15 per cent we had the last three, so therefore we're being conservative.

Hoffman: Have you ever seen a business plan where a guy has shown a deteriorating share of market?

Griffith: I think that's the worry, that's where you have a problem, because if you borrowed money or incurred a level of indebtedness where you need that kind of growth to get out from underneath, then you might have problems, and I'm sure there are some out there just waiting for it to happen.

Suter: It seems to me that the audience erosion will continue. The reason for this is that there are more alternative options available to more TV households. Years ago, when networks really dominated primetime with over 90 per cent share, the shares of the network affiliates were lower in New York and L.A. where you had strong independent stations offering programming choices. As independents spread and cable spread, the network shares have to go down. But it's slow, and, as Tony said, the advertisers have no place else to go. So they'll pay more for even fewer eyeballs, because that's the best way you have to advertise.

Hoffman: You just have to be very careful to separate the audience fractionalization into that which affects advertising and that which does not. Loss of audience—however serious, to a nonadvertising media, is not a concern to broadcasters.

Fuchs: I think the whole issue of fractionalization still suggests that even if network audiences are doing well, like holding flat over some period of time, the independents are still making incursions that will continue to fractionalize individual markets. And we have the growth of the hard dollar businesses—the pay per view or the movie services—and that's fractionalizing viewer attention, although it is also stimulating viewer growth.

I think the bottom line of all of that is a less certain environment in terms of making individual predictions. There are going to be much more market specific questions as opposed to the industry lending itself to a fairly easy cookbook formula.

Goldberg: *It seems to me one of the things you've been talking to . . . you've been talking about a different kind of management in the broadcast industry. Now, I started a long time ago, it was almost mom and pop, it was the kind of thing where you did know everybody and you believed in doing public service as well as making money and you did a lot of it, and gradually those old timers are either selling out or being pushed out. And obviously you're looking to a new kind of management here. Would you care to speak to that, Tony?*

Hoffman: In the groups, we have already had quite a change of management over the last few years. If you go down the list of the station managers at each of the major group operators, you'll find a new breed of young business-oriented managers, who are looking at the revenue line, every element of the expense line, and focusing on the bottom line very, very closely. It's a change that's been coming over the industry for several years. The pioneers who have been in the industry for 50 years and have settled into a complacency that nothing will ever change, are being replaced by people who see secular changes and are moving to anticipate them while they're trying to improve the bottom line at the same time.

Goldberg: *What about programming? They're very good in their dollars and sense, they're very good in all these things—who is going to take care of the programming?*

Hoffman: The same people who are doing it now. Programming decisions are "buy" not "make" decisions at the station level. Station program managers are presented with a lot of alternatives of shows you can purchase, and the question is simply projected audience performance versus price.

Goldberg: *Now, with the networks having a problem, they haven't been too successful in keeping too many things on except "Magnum P.I." and then of course syndication for $200 million or whatever—what about the new programming that's going to be coming on?*

Suter: More of the same.

Goldberg: *More of the same?*

Suter: When you get a new hit like *Bill Cosby* people will copy it. You now have Flip Wilson coming on next season. I don't think that will change, that's been going on for a long time and I don't see too much change. There's a limit to the talent available which can do television effectively, and there is *so much time to fill.*

Fuchs: It's a pendulum swing . . . The western has not been with us in many many years. I think we most recently went through it in a much more graphic way in the record business. There were a number of years where everybody was waiting for the new sound—where was it? The record industry was on its back, nobody was making any progress and all of the sudden it took off again. We found the new sound, it was something new that happened. Television programming, film programming, has always gone through this type of pendulum swing.

Hoffman: The current swing toward more realistic, relevent programming is a repeat of days when *All in the Family* was a shocking new show. It was more relevant, it was more hard-hitting, it dealt with controversial issues, it spawned *The Jeffersons*, it spawned *Maude* and other shows of that genre. Now we're going through the same sort of increased realism on the shows on NBC.

Gibbs: The bottom line is still the same. People really want to maximize their profits and the way to do it is to get programming on the air that is going to attract the largest numbers of people,

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and that's what is going to drive the engine.

Goldberg: *One last point. What do you think of the future of low power television?*

Hoffman: I continue to believe that low power television is not going to be successful. The very principle on which success in broadcasting is based is large audiences. By definition low power television is restricted, just like cable has been in terms of the aggregate audience it can serve.

It costs about the same amount of money to put a low power television station on the air as it does one operating at full power. The programming isn't going to get any cheaper just because you're low power. Viacom is not going to sell to you at half price because you're low power.

Hoffman: How many times do you hear about narrowcasting anymore? Remember how big a deal that was, six or seven years ago? Narrowcasting is by definition uneconomic.

That's what low power is—narrowcasting. It didn't work in cable, and there's absolutely no reason why it should work over the air.

Goldberg: *What about a sports network like ESPN?*

Hoffman: I think they've got a pretty good future. The thing that makes ESPN probably more viable than it would be otherwise is the fact that it's part of ABC. They can negotiate the ancillary rights for cable distribution along with the ABC Television Network, and the combined buying power there will give them the opportunity to segregate product in a way that will benefit them financially.

Goldberg: *One last point—do you think that Turner can succeed in the takeover of CBS?*

Hoffman: I think the options available to CBS to frustrate the consummation of that transaction are prodigious, and I think the resolve of CBS to prevent a takeover is also prodigious. I think the net result is that Turner will probably not be successful. But there might be a very different CBS than we have now created in the process of defense.

Goldberg: *How different?*

Hoffman: It depends on what CBS has to do to win. The easiest way of preventing the Turner takeover would be to sell a big block of stock to a "white knight" who will agree to vote with management. Such a move is fraught with all kinds of potential problems down the road—white knights have a way of getting grayer over time. There are a number of options available to CBS, but none of them really allow the preservation of CBS as we know it today. □

'Wheel' *(from page 48)*

for the purposes of obtaining a guaranteed reach for its product. "Each division of KW is set up as a separate profit center. Similarly, each has an internal goal, and we know you don't have a cash flow immediately. Our set-up is such that it's not based on one show, so if the show ends its cycle, there is no domino effect. Each will have to stand on its own, and if we buy stations, that general manager will have to decide whether he wants to buy a King World Show."

Cost of promotion

On the marketing end, Roger King notes that promotion on KW's shows sometimes costs more than actual development of programs. He says the company spends "hundreds of thousands of dollars" for *Wheel of Fortune* contestant searches. Important, too, is back-up promotion. This coming season, it's estimated that KW will spend about $5 million in back-up promotion to stations.

Involved will be the three game shows, all looked at as being similar in terms of marketing strategy, in that they are produced by the same company, Merv Griffin Productions. Roger adds that KW may put a little more emphasis on *Headline Chasers* because it doesn't have network exposure and may not be familiar to audiences. Back-up promotion on *Chasers* will involve contestant searches, and KW will advise stations on how to put local contests on the air, "similar to what's being done by WTVJ(TV) Miami on *Wheel* and by WPLG-TV Miami on *Jeopardy!*"

As in the past, network and feature film quality commercials and on-air promos will also be provided, plus press kits for stations. Last year, KW put together a 29-minute promotional reel for *Jeopardy!*, which was beamed by satellite to the game show's stations. Hersch explains that such promos are especially beneficial to a small-market station, because it generally can't afford to make quality promos on just one show.

While Hersch says that the *Jeopardy!* investment was heavy on KW's part, it paid off one-hundred fold, if the promos were compared to the cost of paid advertising for *Jeopardy!*

But in addition to KW's heavy ongoing promotion commitment, the company is a firm believer in research and has a staff of eight, tracking every program in every market, watching program flow, demos, lead-ins and lead-outs and changes. Analyzed, too, are upcoming game shows and programming trends. At this point, all of KW is in the process of being computerized, including research, notes Hersch. Michael King adds that research was one of the major contributory factors in obtaining *Wheel* for syndication.

He continues: "If you don't have the information, you can't win, and we feel that knowledge is power. But even more important is that you have to able to interpret the information properly or you will be in trouble." In the case of *Wheel*, which at present is on 194 stations in the U.S., the network version was tracked thoroughly before KW decided on buying it for syndication.

Michael King notes that while the game show seemed to be "no big deal" on the surface when it was on NBC (NBC once cancelled the show), KW decided to dig deeper into its syndication possibilities. "We went back nine years to research every market carrying *Wheel*, studying sweeps and 5,000 books." KW found that *Wheel* was moved five different times, and its lead-in was changed seven times, including soap operas and sitcoms. "Despite this instability, we found that *Wheel* always did better than the show it replaced and when it started to build, as we discovered in any one book, it was moved again. The more we dug into it the more we realized it was the most powerful show we had ever seen."

A big gamble

Wheel represented a huge gamble, and KW risked most of its money on the game show, notes Roger King. He says *Wheel* was launched in access without the three major markets in tow. "The marketing key was to try to select the best stations possible and the best time periods and to build from that." Fortuitous at that time for KW was that *Lie Detector* and *Your Asked For It* were both becoming heavily losing vehicles, which made KW jump in with *Wheel*. Specifically, Roger adds, the company zeroed in on *Lie Detector* stations such as WEWS(TV) Cleveland and WDVM-TV Washington. "The *Detector* ratings on these and other stations were the lowest they ever recorded for any program they've had. We waited until the show completely failed and picked up about 30 of the stations." Also, points out Roger, *Family Feud* was getting older, even though it was still the top syndicated strip at that time, "so we knew the audience was waiting for another good access game show."

Roger says that the initial dollar budget commitment on *Wheel* was about $3 million, including the production. "When a show is not barter, and you don't have New York, Los Angeles and Chicago, you have to pay for the show dollar-for-dollar. We gave away more money in prizes than we had in

(continued on page 132)

In the Picture

Sherri Fritzson

Producer of hard-working commercials works hard to shave shooting budgets

Sherri Fritzson came to Foote, Cone & Belding a year ago as an executive producer, then six months ago was promoted to acting director of television and radio production. Among the first moves she made then was to set up procedures to improve the communications flow between the agency and its broadcast clients. For instance, under the new SOP Fritzson set up, every story board would go through her before it went to the client, to make sure the idea wasn't out of the question from a technical or cost standpoint, *before* it got past the story board stage. And now she's a senior vice president and director of television and radio production, minus the "acting" part of the title.

That cost considerations take such high priority in Fritzson's scheme of things might seem somewhat contradictory, coming from the producer of the "Tank" and "Catapult" commercials for Data General. They were shot on location in Almeria, Spain, a location also favored by Clint Eastwood when his movies require a real castle.

Fritzson explains that though the catapult built on the spot for the shot was real—"all 30 stories high of it," the tank was a mockup, built around a real Land Rover. Also real was the professional military historian, just like Hollywood uses as consultants in its better war movies, "to make sure that the horses and guns were handled properly, and that even the swords were held correctly."

These commercials were not low-budget by any means, admits Fritzson, but she says they were brought in lower by going to Spain than by trying to duplicate the same realistic effect anywhere inside the U.S. She adds that, "We also saved the way a good producer always saves: a lot of prep work up front—pre-planning every move beforehand, so that once the camera crews are set up, everything goes like clockwork."

They worked for the client

But whatever the cost, on the occasion of FCB's spring stockholder's meeting, agency management assured those present that Data General attributes much of its increased recognition as an important player in the computer industry to the impact of these two commercials.

Other ways Fritzson says producers can help plug the dike against ever-escalating production costs is to minimize sets, use scale talent rather than world class stars for most spots, and "research which directors and which production companies can bring which kinds of shoots in for less." She explains that agency producers have a fairly well-oiled word-of-mouth network that keeps everyone up on who's best for what type of commercial. She observes that this producer's "network" has grown increasingly useful in the past couple of years, "as so many more good, hungry production companies have become available to us." Some of these companies, she explains, have been started up by agency producers who went out on their own, and others are "spin-offs formed by directors who left the company they worked for to go out and be their own boss. And there's also the recent influx of European directors. It seems like every lunch hour, there's someone out there starting another new company."

She points out that this helps keep costs from climbing even faster: "If every company knows there are 10 other companies out there, eager to do the same job for a little less, each company is more likely to keep its bids more realistic."

Finishing on tape

Saving time also helps save production money says Fritzson. "We're able to save big chunks of time by going directly from our cut on the original film negative to finishing on tape." This way, she explains, finishing is a one-day process, "because you see the effects as they're being laid in. If you want it different, they'll change it for you right there. What takes us an hour on tape used to be a three-day wait to see how the film opticals would come out—and then still more days if we wanted to make a change. Doing this on film can take weeks to get the dissolves to come out just the way we want them." Of course, she adds, "You give up that film 'look'. But since the viewer at home, watching the result on his set, isn't too likely to notice the relatively minor difference in quality, that film look is a small sacrifice compared to the time saved. Finishing on tape, with its almost instant computer-made effects lets us shoot on a Monday and be on the air Friday, if we have to.

Fritzson sees film making as an activity "that's always stimulating. It's never dull, and you never stop learning. And on top of that, this business offers opportunity without any artificial discriminatory roadblocks. If you're good you can get work, whether you're a man or woman, black or white or whatever."

She says she was "lucky to be able to grow up with film." Her brother was an art director and film buff. "We'd go to the movies and always try to figure out how they got this effect and that. It was always "How did they do *that?*' And I always did like the idea of being able to put something together all the way, from start to finish."

So when she got her first agency job as a secretary at J. Walter Thompson, she asked for the production department, and says she fell in love with it from that first week on the job.

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sales, in the beginning." But in January, when the show's lineup went from 59 to 99 because of high ratings, *Wheel* began making more money, which in turn was reinvested into better prizes and other projects.

Consequently, based on its first-year success, *Wheel* was marketed the second year on a cash-plus one 30-second national spot for KW. In the third year, KW takes out two 30s per episode plus cash. And last April, the company began offering weekend versions of both *Wheel* and *Jeopardy!* on a straight cash basis. Some critics have maintained that KW is cashing in on *Wheel's* immense strength by pressing stations to buy *Jeopardy!* as well. At this point, *Wheel* is in about 99 per cent of the country and *Jeopardy!* has about 92 per cent, notes Roger King.

"It's laughable to say that stations are being forced to buy *Jeopardy!*," asserts Roger. "It's a winner. It's the Number 2 show in America in access behind *Wheel*.

If there was no *Wheel*, we would be in the same number of markets," maybe even more, because I would be able to focus on *Jeopardy!* alone."

Hersch adds that if a station doesn't want a KW product, the company doesn't pressure the station to take it. For example, points out Hersch, in New York WCBS-TV has *Wheel* and WABC-TV has *Jeopardy!* and *Headline Chasers*. "It's the same story in 20 or 30 other markets," he says. "Similarly, in KW's movies, some stations have bought films which have our game shows and some have not." A number of the classics were part of the assets acquired by KW from Leo A. Gutman Inc., for $5 million, back in April, 1984.

Merchandising is another area that King World is getting heavily involved in, notes Hersch, and the company formed a merchandising and licensing subsidiary last February. Headquartered in KW's New York offices, the division has entered into a number of agreements involving both the company's own products and characters as well of those of others.

Among the companies tied in with KW Merchandising are Pressman Toys, for board games; General Foods for advertising and premiums; the Button Up Co. for buttons; Crabwalk for wall calendars and date books; Cente, a Japanese company, for hair care products; and R.A.G. Productions, France, for a series of records, story books, comics and coloring books.

Last, March, King World Enterprises, TMS Entertainment, an affiliate of Tokyo Movie Shinsha, second largest animation studio in Japan, and Tomy Toys put together a deal whereby KW will distribute an animation special, *Sweet Sea*, with Tomy Toys producing the Sweet Sea doll. Sweet Sea doll wrapped up 14 licensees at the outset, and Tomy is expected to produce a wide variety of Sweet Sea products, ranging from apparel to stationary items. A back-up promotional campaign is also underway by Tomy.

Arnhold and S. Bleichroeder estimates that merchandising will contribute $1 million to pre-tax profits as operations begin to get underway late this year, and sees it profits increasing 10 to 20 times within the next three to five years.

Hersch notes that the merchandising division was launched with only two persons, and it now has about a dozen license fees for Little Rascals key chains, buttons, calendars, jumpers and General Foods is using *Rascals* to promote a new brand, plus a number of *Wheel of Fortune* items, as well as the previously mentioned product.

Regarding the new division, Hersch says its formation is another example of the company taking its assets and establishing a new business with no investment. "It's now starting to produce a real return, and we will reinvest that into making it a monster, hopefully." Michael adds that the same shows that work on television work in merchandising.

"Whenever you see *Wheel* or *Rascals*, that's a commercial for a licensee in the manufacturing business."

International arena

But not all of KW's activity is domestic. In fact, the company has already gotten into and is expanding in the international area in several ways. Via KWE, it recently entered the foreign sales marketplace with a showing at this year's MIP-TV, held in Cannes, where it wrapped up sales to German language franchise rights on *Wheel*, *Jeopardy!* and *Headline Chasers* to a Federal Republic of Germany TV station in Munich. The station is expected to produce the programs in German, for showings in countries including Austria, Switzerland and West Germany. Also, the programs will be beamed by the station to several Eastern bloc countries including Hungary, Poland, Czechoslavakia and East Germany, marking the first time that socialist countries will see Western game shows, according to KWE.

Also, KWE sold its Epics movie package and its Spotlights movies at MIP-TV o India, Pakistan and Singapore, among other countries. While KWI was formed initially to sell the company's own product overseas, KWI picked up the foreign rights to *Night Heat*, its first "outside" product for the foreign market. *Night Heat*, which contains 26 episodes, was produced in Canada, and ran successfully on CBS in late-night, with KWI buying foreign rights when it contained only seven episodes.

Hersch notes that *Heat* was bought because, while KW was riding high with its game shows and classics, both in the U.S. and abroad, it needed "something new and fresh to be introduced as a quality company into the international community."

KW research indicated that *Night Heat* was the best type of program to generate high sales in Europe and elsewhere abroad.

Michael King adds that *Heat* represents "the debutant ball" for KW regarding overseas. "We never really actively participated in previous MIP conventions. But this year we went out and decided to do it in a big way. Also, we had acquired *Sherlock Holmes* and had just picked up *Topper*, so with *Night Heat*, a major foreign production, the feeling was that KW would have a major presence of programming at MIP-TV." *Heat* did well, getting licenses from Hong Kong, the Philippines, Taiwan, Finland, India, Malaysia, Pakistan and other countries.

Not only is international a growth area for existing product, but KW plans call for establishing contact with various foreign companies to develop programming for both parties, says Hersch. "This area will be a continuing and growing segment of the TV business. More and more stations overseas are coming on mainstream everyday. A lot of the countries are now opening up so that stations are no longer government-owned. Our analysis is that a larger portion of the gross revenues available for any program is going to come from overseas. It doesn't mean that the predominant number of product will not continue to come from the U.S., but a larger proportion will be generated from overseas."

Also, as KW has done in the U.S., the company expects to learn the overseas markets, slowly but steadily, look to see what the stations and the consumers want, and to deliver to them in a quality way. KW has affiliated offices in Toronto and Munich, and if things continue to do well, other offices will be opened abroad as well, Hersch adds.

With its past successes ringing in its ears, KW has been "fortunate," notes Michael. But with further expansion and growth, plus an international marketplace which appears to have potential for the company, he says that "the best is yet to come. That's our motto now." □

Inside the FCC

Recent license term changes and expan[illegible]ed spectrum [illegible]C through '87

[illegible] cations Commission (FCC) [illegible] made its annual report to [illegible] usual litany of its accom- [illegible] us year and its goals for the [illegible]

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H[illegible] tions as listed in the ann[illegible] al year 1985, which runs [illegible]

■ "A[illegible] ajor changes. Applications are expected to increase dramatically (119 per cent) to 678 as a result of the commission's proposed opening of Canadian, Mexican and Bahamian Class I-A channels to domestic unlimited-time stations. Disposals are expected to increase 4 per cent to 408 (68 of which involve applications designated for hearing in the RKO proceeding).

"The year-end caseload is forecast to be 688 cases, up 65 per cent from FY 1984."

■ "*FM new and major changes*. Incoming applications are expected to increase 24 per cent to 1,519 as a result of the FM drop-in proposals and other filings related to Docket 80–90. Although the filing rate is expected to increase dramatically during the third quarter, the disposal rate cannot be increased substantially until the fourth quarter because of the requirements of the processing sequences, i.e., engineering study, public notice requirements, legal review, petition processing, preparation of hearing designation orders, etc. As a consequence, disposals are estimated at 1,244 during FY 1985, 3 per cent above the previous year. The year-end count of cases is expected to rise 25 per cent to 1,352."

■ "*TV new and major changes*. Filings are expected to remain at the FY 1984 level of 408. Disposals will decrease 18 per cent to 379 due to starting limitations. Accordingly, the year-end pending count will rise to 204, up 17 per cent from FY 1984."

Radio renewals

■ "*AM renewals*. Due to the new seven-year license term, no renewal applications are scheduled to be filed during FY 1985, although one unscheduled application will be received. It is anticipated that corrective actions will be taken on approximately 85 previously deferred cases, enabling them to be granted. This would result in 221 deferred renewal cases remaining on file at year end."

■ "*FM renewals*. Due to the new seven-year term, no renewal applications are projected for FY 1985, although nine unscheduled applications will be received. It is assumed that corrective amendments enabling grants will be filed for 80 cases during the year.

This would leave 198 deferred renewal cases pending at year end, down 26 per cent."

■ "*TV renewals*. Due to the new five-year license term, no TV station renewals are scheduled to be filed in FY 1985. The (Mass Media) Bureau projects that 43 applications in the FY 1984 pending category will be disposed.

This production is down 85 per cent, when compared to the FY 1984 level. Year-end backlog will stand at 14 applications, down 75 per cent from the FY 1984 level."

■ "*AM assignment and transfer*. Incoming applications are expected to remain essentially steady at 1,094. Disposals are targeted to increase by 9 per cent to 1,139, leaving the year-end pending count at 145, down 24 per cent."

■ "*FM assignment and transfer*. Receipts are projected to increase 6 per cent to 942. Disposals are expected to increase 15 per cent to 973, resulting in a final year-end count of 114, down 21 per cent."

■ "*TV assignment and transfer*. Incoming applications are expected to rise to 425, up 9 per cent. Disposals will increase 2 per cent to 394, but will not match receipts, resulting in 68 applications pending at year's end, up 84 per cent from FY 1984."

Outlook for '86

In FY 1986, which begins October 1, the picture in those categories is, according to the FCC:

■ "*AM new and major changes*. Receipts are expected to decline 38 per cent to 420 as the number of applications filed returns to normal following the FY 1985 wave of applications proposing operation on the newly opened Canadian, Mexican and Bahamian Class 1-A clear channels. Processing is expected to decrease by 35 per cent to 264 disposals, which will result in a year-end backlog of 844 cases, 23 per cent above FY 1985.

■ "*FM new and major changes*. Incoming applications are expected to increase 5 per cent to 1,600 as the effects of Docket 80–90 continue. Disposals are targeted to reach 1,668, surpassing the previous year's disposal rate by 34 per cent. The year-end tally of pending cases is expected to decrease 5 per cent to 1,284."

■ "*TV new and major changes*. Receipts are predicted to increase 6 per cent to 431. Disposals will increase 3 per cent to 392, and 243 applications will remain pending at the close of FY 1986, up 19 per cent."

■ "*AM renewals.* No renewal applications are scheduled to be filed during FY 1986. It is anticipated, however, that corrective amendments will be filed for approximately 40 pending applications in deferred renewal status, enabling them to be granted. That would leave 181 cases on file at year end, down 18 per cent from the previous year."

■ "*FM renewals.* No renewal applications are scheduled to be filed during FY 1986. It is expected, however, that corrective amendments will be filed for 40 deferred renewal cases during the year, which will enable them to be granted.

This will leave 158 cases pending at year end, down 20 per cent."

■ "*TV renewals.* Due to the start of a new five-year renewal cycle for television stations, 114 renewal applications are scheduled to be filed toward the end of FY 1986. Disposals are set at 58, up 35 per cent. At year's end, 70 applications will remain pending (up 400 per cent); however, the backlog will consist primarily of applications that are not statutorily ripe for grant in FY 1986."

■ "*AM assignment and transfer.* Incoming applications are expected to increase 6 per cent to 1,160. Disposals are scheduled to increase by 2 per cent to 1,160 to match the incoming volume.

The year-end pending count will remain unchanged at 145."

■ "*FM assignment and transfer.* Receipts are projected to increase 13 per cent to 1,060 applications. Processing is also targeted to increase by 9 per cent to 1,060 in order to match receipts and keep the final year-end count unchanged at 114."

■ "*TV assignment and transfer.* Receipts are projected to remain at the FY 1985 level of 425. Disposals will be down 8 per cent to 362, and the year-end pending will be up 93 per cent to 131."

Prospects for '87

And, down-range in FY 1987:

■ "*AM new and major changes.* Receipts are expected to increase by 12 per cent to 470, while disposals increase 4 per cent to 276, leaving a year-end pending count of 1,038, which is 23 per cent higher than FY 1986."

■ "*FM new and major changes.* Incoming applications are forecast to increase 6 per cent to 1,700. Disposals will increase 4 per cent to 1,742, yielding a final pending count of 1,242, which is 3 per cent below the previous year."

■ "*TV new and major changes.* Incoming applications will decrease 7 per cent to 400. Disposals are projected to increase 2 per cent and match receipts at 400, leaving the backlog unchanged at 243."

■ "*AM renewals.* No renewal applications are scheduled to be filed during FY 1987.

It is anticipated, however, that approximately 40 pending applications in deferred renewal status will be granted, which will reduce the pending count 22 per cent to 141."

■ "*FM renewals.* No applications are scheduled to be filed; however, it is expected that about 40 pending applications in deferred renewal status can be granted during the year, lowering the pending count 25 per cent to 118 cases."

■ "*TV renewals.* It is anticipated that 336 renewal applications will be filed in FY 1987, up 195 per cent from last year. Disposals will be up 395 per cent to 287, leaving a year-end pending of 119, up 70 per cent."

■ "*AM assignments and transfers.* A 6 per cent increase in filings (1,255) is expected. Processing will increase 2 per cent to 1,188, yielding a final pending count of 182 cases, up 25 per cent from FY 1986."

■ "*FM assignments and transfers.* New applications are forecast to increase by 10 per cent to 1,170 while disposals are expected to increase 6 per cent to 1,125. The year-end pending count will increase 39 per cent to 159 cases."

■ "*TV assignments and transfers.* Incoming applications are expected to increase 6 per cent to 450. Disposals are predicted to increase 4 per cent to 375. At year's end, 206 applications will remain pending, up 57 per cent from the previous year."

Radio Marti activity

The commission also expects some stepped-up activity due to the recently inaugurated Radio Marti service beaming Radio Free Europe-type programming to Cuba. The law establishing Radio Marti allows for compensation or adjustments for U.S. stations that may be hurt by Cuban jamming of the service from Florida.

This year, the FCC anticipates 36 requests for special temporary authorizations (STAs) to circumvent the jamming. It already had five applications and expects to dispose of 37 in all by year's end, leaving four pending. Next year, it anticipates 60 such requests and expects to dispose of that many. In 1987 and after that the FCC expects the 1986 figure to remain constant.

As for compensation, the FCC expects 47 claims this year and "disposals will lag behind filings for a considerable period of time because of the requirement that facility construction be completed and invoices covering approved expenditures be submitted before a recommendation for disbursement of funds is issued to the U.S. Information Agency. Accordingly, it is projected that 40 cases will be formally disposed of during the year, leaving nine cases pending at year end."

In 1986, the FCC expects those claims to match the STAs, at 60, but decrease in the following year to 40 because "some broadcasters may elect to modify their facilities via STAs even though they fail to meet the threshold criteria of the compensation program."—**Howard Fields**

"THE SILENT SIN HITS OUT AT THE HORRORS CHILDREN CAN AND DO ENDURE..."

—*Daily Variety*
4/19/85

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Hosted by veteran actor Mike Farrell, "The Silent Sin" took a close look at the problem of child incest in our society. Victims and abusers told their stories, exposed their secrets, faced the brutal realities of their lives. Through their shockingly candid disclosures, viewers gained an intimate insight into a life of fear and violence.

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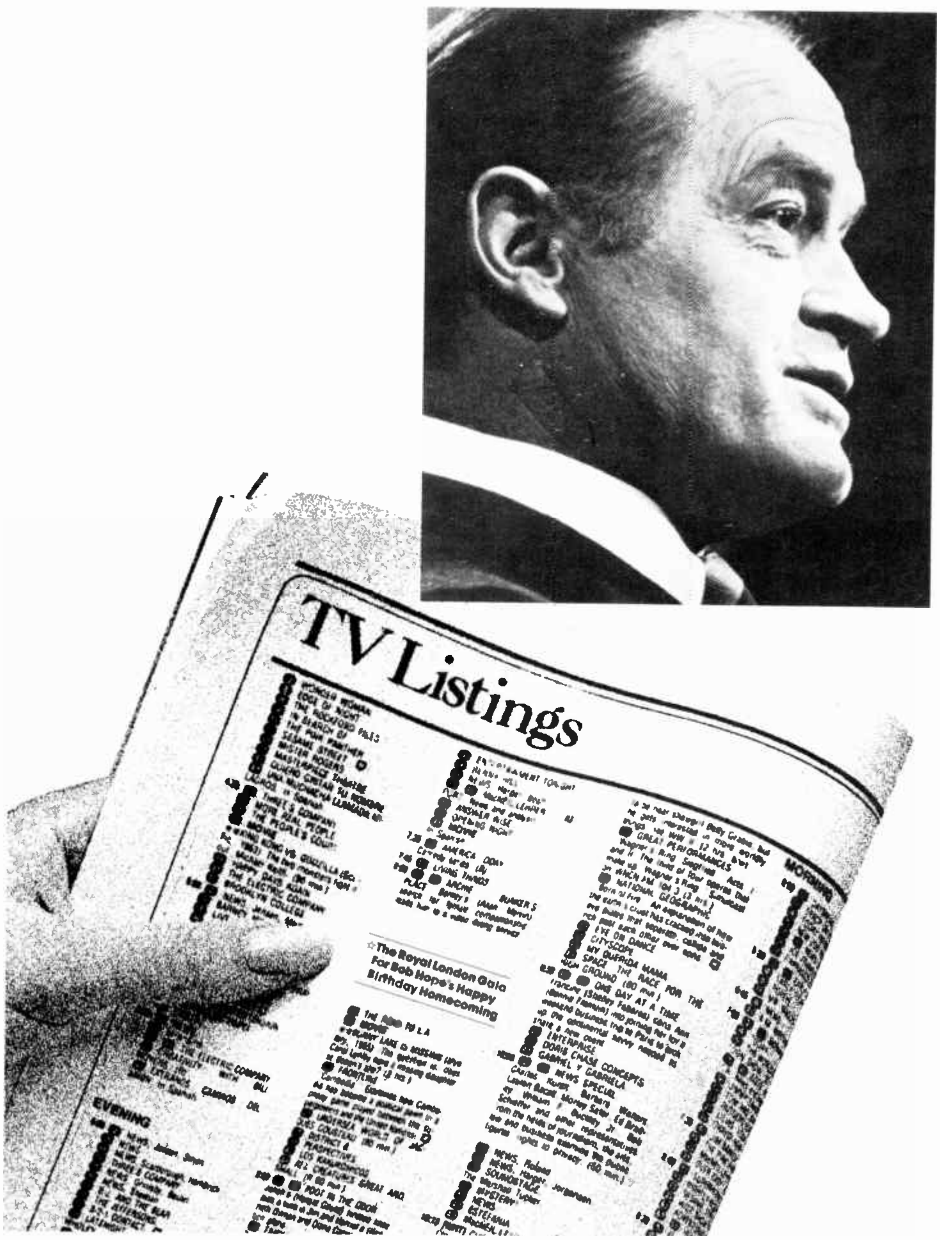

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