

A new section:
Marketing/Promotion

TV's Global Titans on the Rise

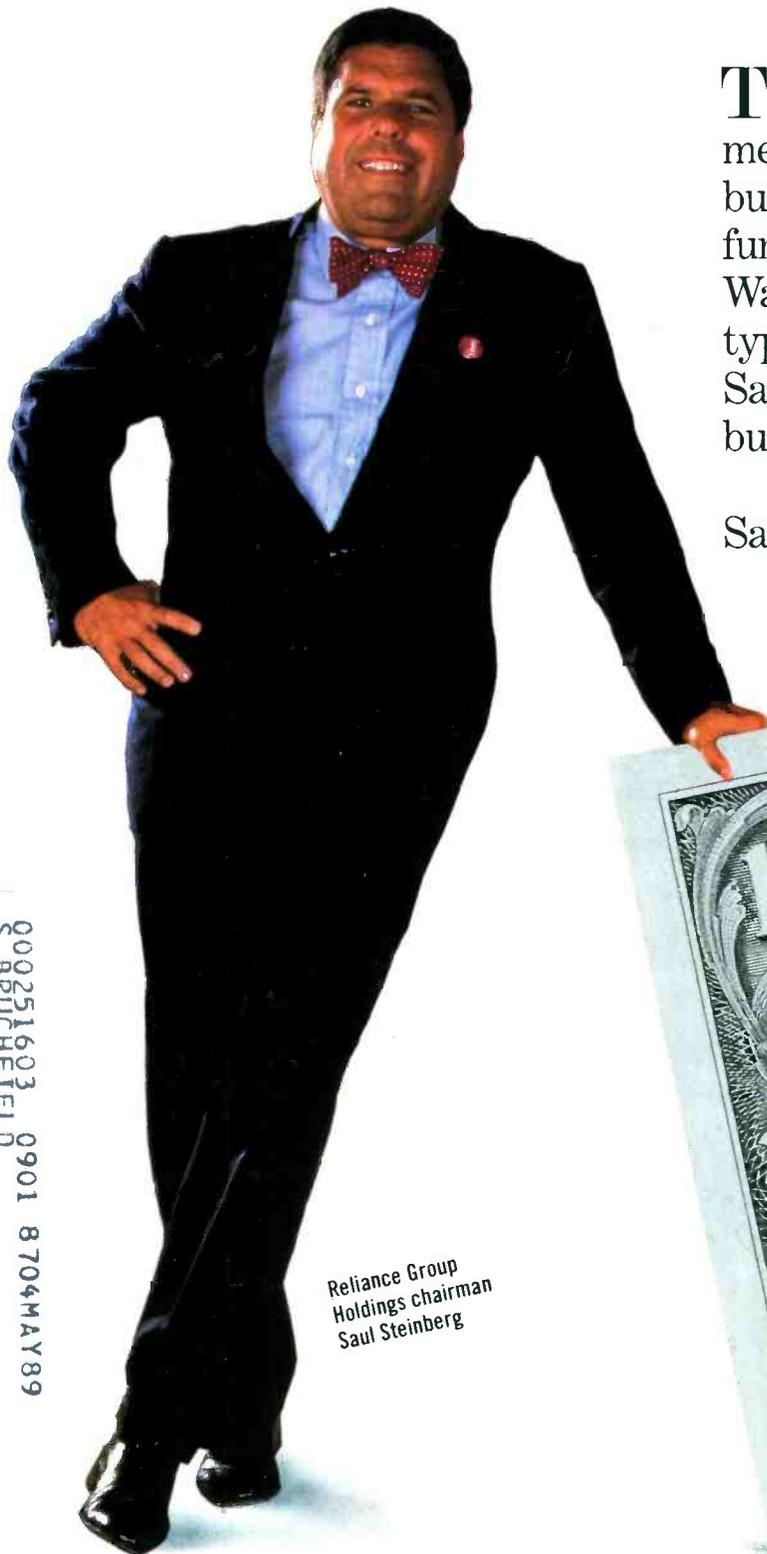
CHANNELS

APRIL

THE BUSINESS OF COMMUNICATIONS

1987

Who Owns Broadcasting?



The new kings of media are not conglomerates but faceless investment funds, lending banks and Wall Street financiers typified by corporate raider Saul Steinberg, who's building a TV empire.

Saul who?



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Al Devaney, Vice President and General Manager, WFLD-TV, Chicago



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and

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CHANNELS

THE BUSINESS OF COMMUNICATIONS

VOL. 7, NO. 4

APRIL 1987



36 Satellite TV looks like Virgin's territory.

NEWS

Stations demand that syndicators spread the givebacks around . . . A trade-off to bring back TV's public-interest standard . . . Av Westin's mistake . . . Hi-def advocates argue against more spectrum for mobile radio . . . and local broadcasters take on songwriters in a copyright fracas.

MARKETING/PROMOTION

LOCAL TV FIGHTS BACK IN PALM BEACH

Four Florida stations find the best defense for station and cable "spill-in" is a united offense. BY MIKE CLARY

RADIO

THE NORMAN CONQUEST

Detractors see Norman Pattiz as a minor leaguer who got lucky. Very lucky: He turned a \$10,000 investment into the \$250 million Westwood One, number two in radio networks. Fans say he took network radio from the stone age to the rock age. BY CECILIA CAPUZZI

INTERNATIONAL TELEVISION

THE EMPIRE BUILDERS

Channels' annual survey of the world media scene identifies eight players emerging on an international scale, analyzes developments in key foreign markets and tells why they're important to the industry back home.

BY RINKER BUCK AND PETER AINSLIE

PROGRAMMING

THAT CERTAIN SUBJECT

For a decade and a half, homosexuality has been trotted out as a moral issue in prime time drama, but gay people themselves remain TV's invisible men and women.

BY WILLIAM A. HENRY III

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SIZING UP A DOWN MARKET

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Cover photographs:
(Steinberg) Theo Westenberger;
(bill) Mike Fuller



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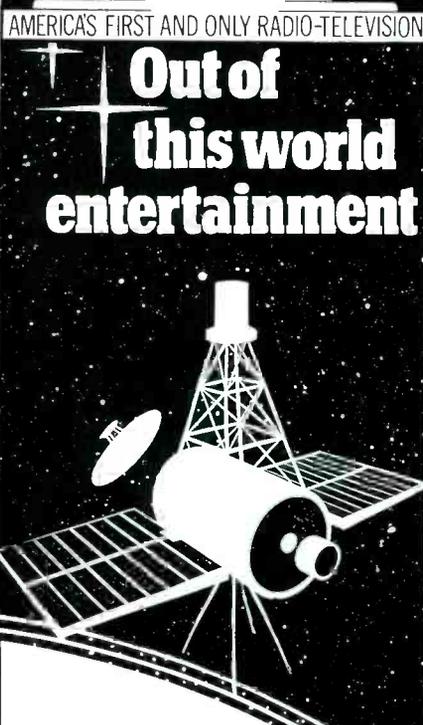
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The Money Behind the Media

After the mergers and acquisitions that have swept the media industry in the last year and a half (not that the dust has settled yet), we find it essential to examine close up who owns television today.

Essential because ownership, if the profile is radically different from before—and it is—will determine the character and value system of the business.

Essential because the old-line broadcasters and the new ones may not be speaking the same language.

Essential because all understanding of television in our society begins with knowing who the owners are, why they're there, how they see the business and what they're likely to do in the years ahead.

The new leaseholders of the media and what makes them tick is the lead topic of this issue of *Channels*. Our special *In Focus* section, "Who Owns Broadcasting?" puts forth names that used to be prominent chiefly in the financial news—Saul Steinberg, the Bass Brothers, Kolberg Kravis Roberts & Co. among them. Here they play starring roles in the probing articles on broadcast ownership by noted business writers John F. Berry and Harvey D. Shapiro.

Meanwhile, off in a distance—which gets closer to the U.S. by the day—foreign media barons are carving up Europe as the Old World's western countries begin to privatize broadcast television and inaugurate cable networks and direct-broadcast satellites. A year ago, we featured Italy's indomitable Silvio Berlusconi on our cover for an article, "The Empire Builders," about the swashbuckling television entrepreneurs who range beyond their national borders. We were well ahead of the news in spotting a development that will affect television everywhere in the world before long. *Channels* editors Rinker Buck and Peter Ainslie update the story and identify several new players on the international scene, particularly in Europe.

These key feature articles are set in a somewhat altered *Channels* environment. We are introducing several new departments that expand our magazine's range of services: more thorough and timely news reports, a monthly calendar that highlights critical industry dates along with scheduled events, and a new section on promotion and marketing. Next month we'll be adding another regular section, one devoted to ratings and research.

These replace the opinion columns from Hollywood and Washington, but not the writers of those columns. Patricia E. Bauer and Joel Swerdlow, who head the respective bureaus, will concentrate on reporting and editing from those vital centers of news.

In a marketplace that grows ever more fragmented, no venture today can reasonably hope for chance discovery. Everything must, in some bold, ingenious way, be brought to the consumer's attention. Our new section on promotion and marketing, with the running title "The Selling Of..." will describe in detail how an enterprise, against the obstacles, puts itself on the map. The strategies thus enter the public domain.

We begin with a story on a television market that rose up against the intrusion of signals from a larger neighboring city. It's "The Selling of West Palm Beach"—a colorful tale that still awaits a completely happy ending, but it turns on a daring idea that stirs the imagination. Reading it will help you to see what we're up to at *Channels* these days and why we've established this important and fascinating new franchise.

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Left to right: Ron Ninowski, Jim Gammon, Don Bussell, Rich Wartell, Marc Hand, Al Perry, Jack Satterfield and Carl Fielstra.



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This information represents a partial listing of the transactions handled by CEA in 1986.

CABLE TELEVISION

SOLD

- Cablevision of Soperton, Inc.** serving Soperton, Georgia
- Sunbelt Cable, Ltd.** serving Belle Glade, Pahokee, South Bay and surrounding Palm Beach County, Florida
- Bowling Green Cable TV, Inc.** serving Bowling Green, Florida
- Certain Assets of
Group W Cable serving Fallon and Yerington, Nevada
- Clef Communications, Inc.** serving Ash Flat, Viola, and Horseshoe Bend, Arkansas
- Princeton Cable TV** serving Princeton, Wyanet and Tiskilwa, Illinois
- Ashdown Cablevision Inc.** serving Ashdown, Foreman and Little River County, Arkansas
- Silverton Cable TV Co., Inc.** serving Silverton and Mt. Angel, Oregon
- Matrix Enterprises, Inc.** serving Kentucky, Ohio, Tennessee and Illinois
- Sisters Cable TV Co.** serving Sisters, Oregon
- Tomberlin Technology, Inc.** serving Caldwell, Christian, Crittenden, Hopkins, Livingston, Todd, Trigg, McLean and Muhlenberg Counties, Kentucky, and Stewart County, Tennessee
- Mid-Kentucky Cable TV Co.** serving Munfordville, Tompkinsville, Edmuntun, Albany, and Burkesville, Kentucky
- Certain assets of
Group W Cable serving Walla Walla and College Place, Washington
- Twin Village Cable Co.** serving Milton-Freewater and parts of Umatilla County, Oregon
- Cosmic Cable of Essex County, Inc.** serving Elizabethtown, Westport, Lewis and Long Lake, New York
- Inglewood Cable TV and Pomona Cable TV** serving Inglewood and Pomona, California
- Carson Cable Television Co.** serving Carson, California
- Tennessee Valley Video, Inc.** serving Collingwood, Loretto, Iron City, St. Joseph and Westpoint, Tennessee
- Klickitat Cable, Inc.** serving Packwood and Lewis County, Washington
- Cable Arkansas & Satellite Systems Corp.** serving Little Rock Air Force Base, Cabot, Austin, Ward and Lonoke County, Arkansas
- Certain assets of
Star CATV Investment Corp. serving subscribers in 11 franchises in Texas
- Little River Cable TV.** serving portions of Horry County, South Carolina
- Casey County Cablevision Inc.** serving Liberty, Dunville, Hustonville and Moreland, Kentucky
- Cable television systems owned by
McClatchy Newspapers serving Fresno, Marysville, Yuba City, Visalia and Tulare, California and the suburbs of Reno, Nevada
- Certain assets of
CATV & Communication Service Co. and Watson Communications, Inc. serving Byron, Centerville, Forsyth and Gray, Georgia
- Lane County Cablevision, Inc.** serving Veneta, Noti, Elmira, Vaughn and portions of Lane County, Oregon
- Cardiff Communications, Inc.** serving Texas, Missouri and Oklahoma
- Certain assets of
Arizona Cable TV, Inc. serving Eloy, Heber and Superior, Arizona
- Certain assets of
Gateway Cablevision Corp. serving Plattsburgh, Plattsburgh Air Force Base and 9 contiguous towns in New York
- Times Mirror Cable Television of Nevada, Inc.** serving Las Vegas, North Las Vegas, Henderson, Boulder City and parts of Clark County, Nevada
- Scott Cable TV Company, Inc., Central Cable TV Company, Inc., Seemore TV, Inc., Clear Vision TV Company of Kosciusko** serving Mississippi
- Ausable Communications, Inc.** serving Jay, Black Brook and Wilmington, New York
- Roscoe Cablevision** serving Roscoe and surrounding areas of Winnebago County, Illinois
- Janney Cable TV Co.** a subsidiary of Tele Cable Corp. of Norfolk, VA serving Pax, West Virginia
- Certain assets of
TCI Media of West Virginia, Inc. serving West Virginia and Pennsylvania
- Midwest Cable Inc.** serving Rockport, Indiana; Whitehorse, Tennessee; and Hawesville, Calhoun, Livermore, Cloverport and Hardinsburg, Kentucky
- A cable t.v. system serving **MacDill Air Force Base**, Florida
- West Chatham Cablevision, Cablevision of Effingham, Hampton County Cablevision assets of Kennedy Cablevision, Inc.** serving Chatham County and Effingham County, Georgia
- Certain assets of
Cumberland Valley Cable TV Company serving Morganfield, Kentucky
- American Cablesystems Associates** serving Calais and Princeton, Maine
- L.C. Cablevision Partners** of Winter Park, Florida serving Vanceburg and certain unincorporated areas of Lewis County, Kentucky
- The assets of
Cableentertainment consisting of subscribers in New Jersey, Pennsylvania, Ohio, Virginia and West Virginia
- Kennedy Cable of Florida, Inc.** serving eastern Polk County, Florida
- Highlands & Cashiers Community Cable Television** serving Highlands and Cashiers, North Carolina
- Perry Cable TV Corp.** serving Palm Beach, Martin and St. Lucie Counties, Florida

TRANSACT IN 1986, IMAGINE YOU IN 1987.

But success has not spoiled our focus. We still provide investment banking, brokerage and corporate financial services exclusively to the communications and entertainment industry. This is, after all, our specialty.



COMMUNICATIONS
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County Cablevision Development I & II serving south central and west central, Illinois

South-Western Cable Associates, Ltd. serving 25 Illinois communities

Comm Management, Inc. serving subscribers in Kansas, Missouri, Nebraska, Iowa and Illinois

ACQUIRED

Essex Eight-Five Two Corp. a limited partnership of Greenwich, Connecticut has acquired **Macon Cablevision, Inc.** serving Franklin, North Carolina

Certain assets of **Mickelson Media, Inc.** of Santa Fe, New Mexico acquired a 50% interest in **Free's Telecommunications, Inc.** serving Columbia County, Florida

C4 Media Corporation of Vienna, Virginia acquired certain assets of **Horizon Tele-Communications, Inc.** serving Princeton, Kentucky

Tarlen Communications of Coquille, Oregon acquired **Dunes Cable TV** serving Hauser and Saunders Lake, Oregon

The McDonald Group, Inc. acquired **Hammond Cable TV** serving Hammond and Amite, Louisiana

Vision Cable Communications, Inc. acquired **East Lake Woodlands, Ltd.**

Tele-Media Corp. of Calhoun, Georgia has acquired **Cablevision of Liberty** serving Liberty, North Carolina

Tele-Media Corp. of State College, Pennsylvania acquired **Carolina Satellite Television, Inc.** serving Denton and Davidson County, North Carolina

TRADED

Times Mirror Cable Television of Delaware County, Inc. serving Aldan, Yeadon, Clifton Heights, East Lansdowne, Lansdowne, Millbourne, Upper Darby, Glenholden, Collingdale, Colwyn, Darby,

Darby Township, Folcroft, Media, Norwood, Prospect Park, Ridley Township, Ridley Park and Sharon Hill, Pennsylvania and **Community TCI of Ohio, Inc.** and **T.V. Power of North County, Inc.** serving Marion and Marion County, Ohio and Oceanside and Camp Pendleton, California

BROADCAST

SOLD

KDBC-TV, El Paso, Texas was sold by El Paso Television Company

KAIT-TV of Jonesboro, Arkansas and **KPLC-TV** of Lake Charles, Louisiana were sold by **Channel Communications, Inc.** a wholly owned subsidiary of **NASCO, Inc.** of Nashville, Tennessee

WISP-AM and **WQDW-FM** were sold by **Caravelle Broadcasting Co.** of Kinston, North Carolina

WXNE-TV of Boston, Massachusetts was sold by **CBN Continental Broadcasting Network**

ACQUIRED

Silver King Broadcasting of Massachusetts, Inc. a subsidiary of Home Shopping Network acquired the assets of **WJV-TV** of Marlborough, Massachusetts

Silver King Broadcasting of New Jersey, Inc. a subsidiary of Home Shopping Network acquired the assets of **WWHT-TV** of Newark, New Jersey and **WSNL-TV** of Smithtown, New York

Silver King Broadcasting of Maryland, Inc. a subsidiary of Home Shopping Network acquired **WKJL-TV** Channel 24 in Baltimore, Maryland

Silver King Broadcasting of Ohio, Inc., a subsidiary of Home Shopping Network acquired the assets of **WCLQ-TV** in Cleveland, Ohio

FINANCING

\$2,500,000 Senior Secured Series C Notes were issued by **Gulfstream Cablevision of Pinellas County, Inc.** serving Dunedin, Oldsmar, Tarpon Springs, Safety Harbor, New Port Richey and parts of Pinellas County, Florida

\$50,000,000 Senior Debt was arranged for **Perry Cable TV Corp.** serving various areas in Palm Beach, Martin and St. Lucie Counties, Florida

A **Revolving Credit and Term Loan** was arranged for **Colonial Cablevision Corp.** of Revere, Massachusetts and a majority interest in the stock of the company is held by **George E. Duffy**

\$29,000,000 Senior Secured Debt was arranged with **First Union National Bank** (agent bank), **The Toronto Dominion Bank** and **Maryland National Bank** for **Cartersville Cable TV, Inc., Prestige Cable TV of Maryland, Inc., Prestige Cable TV of Virginia, Inc., Prestige Cable TV of Warrenton, Inc.**

\$10,000,000 Equity was raised for **Wade Communications Partnership** of Philadelphia, Pennsylvania

\$3,500,000 Senior Secured Debt was arranged for **Macoupin County Cablevision** serving Carlinville, Virden, Auburn, Girard and surrounding areas of Macoupin County, Illinois

RELATED MEDIA

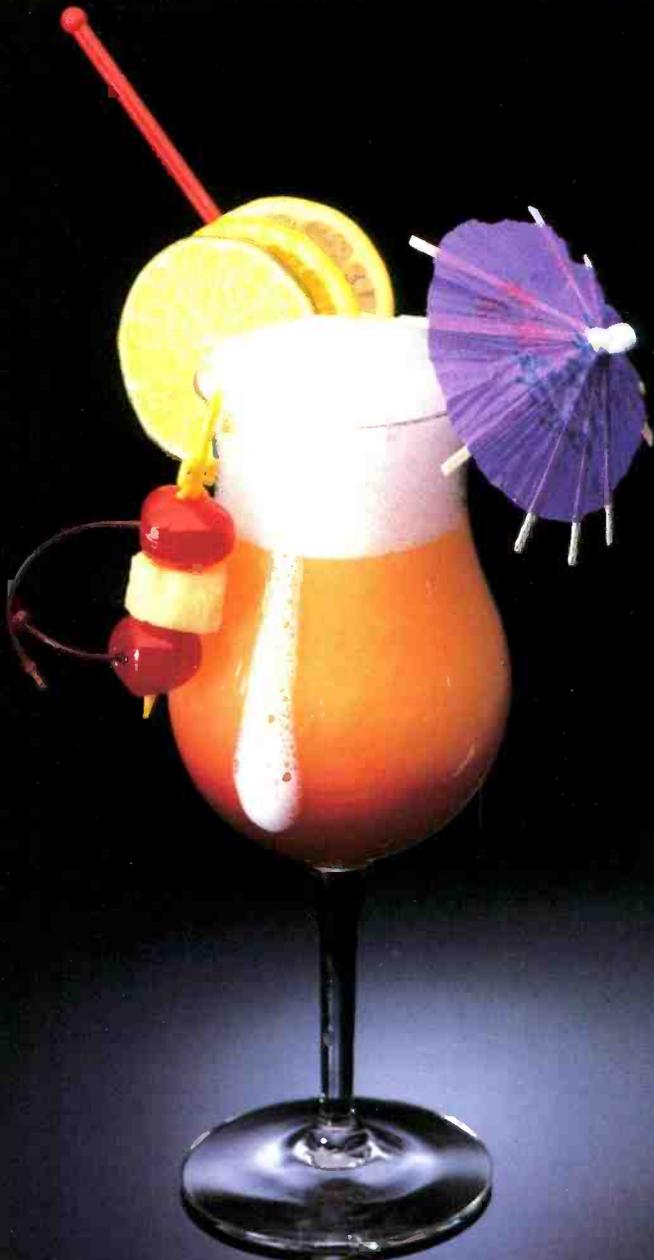
ACQUIRED

Communciations Transmissions, Inc. has acquired **Transcontinental Communication Company** of Austin, Texas

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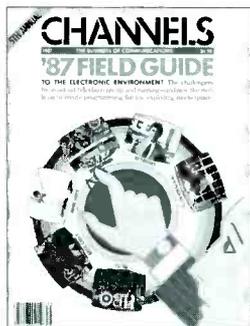
Those who make them, read us.

LETTERS

Field Guide Feedback

The Fifth Annual *Channels* Field Guide was so impressive I had to let you know. It was really a major effort that came off extremely well.

Malcolm A. Borg
Chairman of the Board
Macromedia
Hackensack, N.J.



The '87 Field Guide is a masterpiece of content and organization. I will carry it with me at all times. There is one omission I'd like to bring to your attention. The fold-out on page 35 listed nothing for Lorimar-Telepictures under "Information Services."

N.I.W.S., the News Information Weekly Service, is in its seventh year as the preeminent news source in syndication, serving over 100 television stations in the U.S. and 40 foreign countries. N.I.W.S. is generally acknowledged as the progenitor of the syndication news-information business. With two hours of reports and features each week plus corollary services such as MedSource and TeleVote, N.I.W.S. is a leader in information services.

David Salzman
President
Lorimar-Telepictures Television
Culver City, Calif.

I enjoyed the Field Guide but your radio network rundown in "The Changing of the Guard" omitted one of the major players in the field—The Associated Press.

As one of the largest single radio networks providing around-the-clock news, sports, business, agriculture coverage and a variety of feature programming, AP Network News certainly should be included as a major network in your listing, regardless of our commercial-free nature.

Wendell Wood
Director of Station Services
AP Broadcast Services
Washington, D.C.

Your 1987 Field Guide included a two-page ad for WCVB in Boston in which its general manager, James Coppersmith, laid out the many admirable accomplishments of his television station. Coppersmith claims that the program his station is producing, *Chronicle*, is "the nation's only local news magazine." Then what's our program, chopped liver?

If so, we have convinced viewers in an estimated 150,000 homes every Sunday to sit for an hour and watch chopped liver. And all this time our staff thought it was producing a "local news magazine."

I suppose we should now buy an ad in *Channels* proudly proclaiming that "we are producing the nation's only local chopped liver" and, incidentally, winning 13 Emmys in two years with it.

John O. Goldsmith
Host and Managing Editor
Capital Edition
WUSA-TV
Washington, D.C.

Your '87 Field Guide is excellent. However, for the sake of accuracy, please note that the Prime Time Access Rule (page 95 of your glossary) is *not* an FCC limitation on networks. It is a limitation on stations. Network affiliates in the top 50 markets may not carry more than three hours of network or off-network programming between the hours of 7 P.M. and 11 P.M., Eastern time.

This means two things that would not be so under your definition. First, this restricts affiliates from programming powerful syndicated programs (e.g., *M*A*S*H*) in the lucrative access time. Second, it means networks can program as much as they want, whenever they want; affiliates in the top 50 markets could choose which three hours they want to carry and affiliates below the top 50 could carry it all. Obviously, simple economics makes this option unrealistic.

The FCC controls the networks, but only through control of the stations.

Lemuel B. Schofield
Associate Dean
School of Communications
University of Miami
Coral Gables, Fla.

Congratulations on your latest, astute, comprehensive Field Guide to the second generation of television. Now, if only there was some sign of a diversification of content to accompany Television II.

John Jay Iselin
New York, N.Y.

I read with interest "Hollywood's New Low-End Market" in the 1987 Field Guide. While I'm not quite sure of the precise criteria for making "The Producers" list, I think it should be noted that Group W Productions ranks number one in the first-run syndication category.

<i>Hour Magazine</i>	195 hours
<i>PM Magazine</i>	260 half hours
<i>Ghostbusters</i>	65 half hours
<i>She-Ra</i>	93 half hours
<i>He-Man</i>	130 half hours

Total hours = 474

R. Kevin Tannehill
Vice President
Sales and Marketing
Group W Productions
Westinghouse Broadcasting and Cable
Los Angeles, Calif.

Victimized

After reading Les Brown's "Victims of Mergermania" [November] and contemplating all of my former students who are now scurrying for new jobs, I found myself reciting Arthur Guiterman's "On the Vanity of Human Greatness" to all and sundry. While the mastodons continue to clash their tusks in mighty brawls, I don't feel too well myself.

John M. Kittross
Vice President for Academic Affairs
Emerson College
Boston, Mass.

CNN Shenanigans

In "Fox and the Hounds" [January], Les Brown laments how a CNN *Moneyline* interviewer, due to sloth, ineptness or personal bias, overcut and misrepresented Brown's comments about the current attempts at creating a fourth network. You should not consider such careless editing and reporting by this organization surprising. On two occasions in the recent past, CNN reporters described *Channels* as "a trade publication of the cable TV business." If these people don't even know who you are, how can they be expected to understand and report accurately what you have to say.

Herbert Rotfeld
Asst. Prof. of Communications
Pennsylvania State University
University Park, Pa.

Standing Pat

William A. Henry III's thrashing of Pat Robertson ["Con Man of the Cloth," January] is yet another fine knee-jerk example of the overreaction to Robertson's candidacy among much of the press.

In the interest of fairness, I must take issue with a few of the points made by Henry: First, *The 700 Club* does not "seek cash in exchange for salvation." As a supporter of the program and a regular viewer, I can assure you the intent is for the Christian public to support the outreach to those who have not heard the message of Jesus Christ. Never has there been a suggestion by anyone on the program that contributions are necessary for a "religious experience." About sending Bibles to Muslim soldiers: What's so bad about that? I hope Henry isn't upset to find one in his hotel drawer either. About not criticizing South Africa: Were those Robertson's exact words, or perhaps did he suggest supporting the evangelical movement in that country? Also, I do not believe Robertson would "announce" that God forbids deficit spending. Rather, he has on many occasions pointed out that the principles of the Bible discourage that practice.

Finally, the out-of-context semiquote about the need to oppose abortions to keep our "Anglo-Saxon heritage and values" is a low blow. Christians everywhere oppose abortion as the taking of human life. Period. I suspect if Henry were to watch *The 700 Club* more than once he would realize that Pat Robertson stands for more freedoms than he could ever imagine.

Timothy P. Kenny
WPDE-TV
Florence, S.C.

In "Con Man of the Cloth," William A. Henry III raises the issue of religious programming that carries political messages, and seems to express the view that this is somehow sinister. It should be understood that Christianity is not a private practice reserved for a few hours on Sundays. It is a personal relationship with God that exists every hour of every day. As such, it has implications for every aspect of life, including the political. We are not seeing politics under the guise of religion, but rather political expressions of religious principles.

One must examine the application of the Fairness Doctrine to stations carrying religious programming that delves into politics. I would argue that syndicated and network programming currently provide an overwhelming array of alternative political viewpoints, meeting the spirit of the Fairness

Doctrine. Still, I would encourage any religious broadcaster to consider providing some opportunity for rebuttal as a sign of graciousness.

Henry raises the issue of fund-raising on religious programming, and its "coarse" nature. It is a widely recognized biblical principle that God will prosper those who return to Him a portion of the resources that He has provided (Malachi 3:10). It is this promise to which most televangelists refer in their fund-raising efforts. No promise of salvation is ever, or should ever, be made.

Certainly, the fund-raising pitches are sometimes tasteless, and religious broadcasters need to be more sensitive to this. But most religious broadcasters open their books to the public, and anyone can determine to what use their donations are put. I suggest that Henry and those of like mind might benefit from getting to know a few Christians. He might find out that we are sincere but imperfect people, capable of laughing at ourselves and engaging in intellectual pursuits. Some of us even work in TV.

Gary Osheyack
Account Executive
WNNE-TV
White River Junction, Vt.

Hallmark's Greetings

I just wanted to let you know that I found the January issue of *Channels* one of the best-written, best-edited trade publications I had come across in a long time. It offered insights into the current status of independent TV and a prognostic look at the industry's future. The SICC story ["The Feud That Toppled a TV Empire"] was well researched and I intend to circulate it around our offices.

We've experimented for the last five years in programming for the independent market, mostly in the children's category. From that perspective—and I admit that it is a limited perspective—I've had the feeling that some significant forces have come into play that will alter the composition and focus of the independent television industry. Your January issue confirmed many of my feelings and introduced some new ideas.

Today, TV is undergoing the same metamorphosis that occurred a couple of decades ago in publishing, i.e., the transformation from a highly competitive, marginally profitable medium characterized by broad, general-interest subject matter to lower-volume, highly specialized categories that in most cases have proved more profitable. TV, like publishing, is now heading in the direction of a vertical-interest medium. Clearly, independent broadcasters as

well as syndicators are in the best position to take advantage of this phenomenon.

As you indicated, the counterforces at work are the high cost of original programming and the declining ad rates brought on by the carving up of audiences. If producers and distributors can find high-quality programming targeted to special interests, independent TV may at last achieve some of the heady success predicted for it over a decade ago.

James R. McDowell
Director, Marketing Services
Hallmark Properties
Kansas City, Mo.

Nibbling at Debate

I enjoyed reading the story by Margaret Carlson, "The Fight to Run the '88 Debates" [November]. For reasons I have never been able to understand, the League of Women Voters continues to believe that it alone has a God-given right to sponsor presidential debates. With a degree of prejudice, I hark back to 1960 when the debate formula was developed. Representatives of the candidates and representatives of the television networks hammered out the debate formula in 15 meetings.

The idea of a joint TV committee of the two major presidential candidates was actually born at a breakfast meeting at the St. Regis Hotel in New York in 1951. Frank Stanton, then president of CBS, and I, then head of Cox Broadcasting, discussed how we could arrange a joint appearance of the Democratic and Republican presidential candidates on network TV the following year.

The title "debate," however, was always a misnomer. The 1960 television appearances, coming 100 years after the Lincoln-Douglas debates, gave rise to the candidates' joint appearances being called debates. I used the term "joint appearance," but debate was the popular media choice.

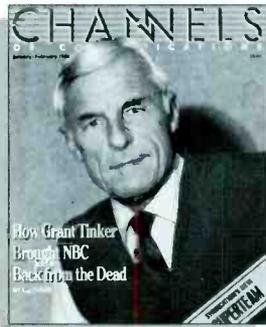
The TV networks were responsible for the facilities and production as well as the selection of the moderators. The Washington press selected representatives from the media to be on the panel. Subject area was agreed to by the candidates.

We had no studio audience in 1960. I strongly feel all future "debates" should be without studio audiences. Certainly other formats may be developed for 1988, but they should evolve from discussions between news professionals and representatives of the candidates.

J. Leonard Reinsch
President and CEO
Sunbelt Cable Corp.
Lake Worth, Fla.

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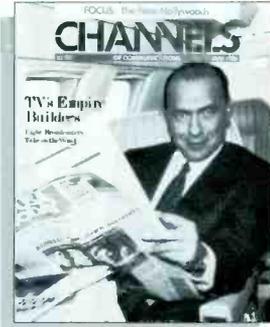
MAR '86



APR '86



MAY '86



JUNE '86



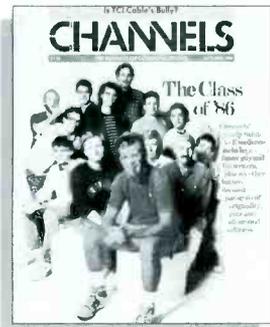
JULY/AUG '86



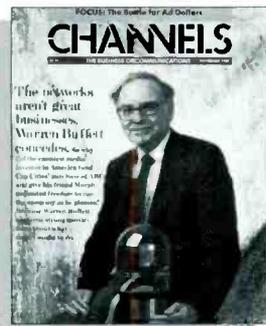
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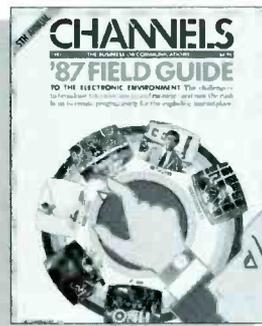
OCT '86



NOV '86



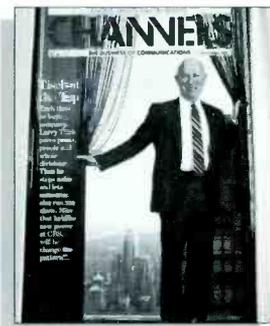
'87 FIELD GUIDE



JAN '87



FEB '87



Last year *Channels* filled a niche in the marketplace by creating a new business magazine on television. In the ten issues we've published since then, the "new" *Channels* has reached television professionals with just the right mix of articles and information they need to cope in a new competitive environment. We've covered all the major stories (and a few you hadn't heard about) first and best, from Rupert Murdoch's visions of a fourth network to Larry Tisch's spartan regime at CBS. The "new" *Channels* delivers. And we're going to continue to deliver month after month, because we know your audience wants to be given the business. ■ ■ ■

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MICHAEL WITTE

Give-backs to ailing stations causing new syndication woes

Good-samaritan distributors find everybody wants same breaks.

All the talk in Hollywood these days is about the decline in the Jaguar index, a mythical measure of the fortunes of high-rolling syndicators. With each day bringing new reports of financial woes among television stations, wags are asking how long program distributors can afford to drive around in those expensive foreign cars.

And the situation will get worse before it gets better, a result of the deal Viacom struck with ailing Grant Broadcasting, which will roll back prices on contracts by some 20 percent and stretch the repayment period from three-plus years to six.

Viacom, figuring that it's better to get 80 cents on the dollar than drive cus-

tomers out of business, gave new ammunition to broadcasters who say today's sky-high programming prices are the product of bidding wars between imprudent managers with Monopoly money.

Long before Viacom's proposed price rollback, Fox TV Stations president Derk Zimmerman wrote distributors demanding they give Fox's seven stations the same price breaks that weak independents get. "Just because we're healthy and paying our bills," he says, "is no reason we should be penalized."

Syndicators had hoped that kind of reasoning would apply only in markets with bankrupt stations. But with the pool of ailing stations widening daily—

some estimate that up to 50 independents are overextended—Zimmerman's jawboning has spread rapidly. "A number of stations are saying the same thing," says Ave Butensky, Fries Distribution executive vice president.

Publicly, syndicators are talking tough, arguing that healthy stations have no "most-favored nation" clauses in their contracts that would give them the right to share in price rollbacks. Privately, however, they concede it will be hard to hold the line if enough stations push. "You may win the legal battles but you leave bruises," says one syndication CEO. "For sellers, bruises on buyers aren't a good thing."

Already the first wave of change is washing up on balance sheets. MCA and Lorimar have had write-downs of \$50 million and \$37 million, and Fries recently took a \$3 million hit when it set up a reserve fund to cover stations' bad debt. Now the second wave is set to wash through, with lowered program fees brought about by falling demand. A recent Paul Kagan survey estimated that program demand for indies will fall 3.7 percent this year, compared with growth of 17 to 30 percent annually over the previous six years.

So the real question, say many syndicators, is not *whether* program prices will drop but how much and how soon. Estimates range from 10 percent for high-demand programming in sheltered markets to 50 percent for marginal programming in places like Miami, where Grant bid prices to nosebleed levels. Smaller syndicators and those dealing only in off-network shows will be pinched. "Unfortunately, you'll probably lose the small distributors who live with marginal programming," says Marvin Grieve, president of the Association of Program Distributors.

There's also no sign of white knights, financiers looking for indie bargains. "The stations that are desperation sales aren't the most attractive," says Steven Rattner of Morgan Stanley. "Some may go dark before it's all over."

Still, say the optimists, we're really only talking about economic Darwinism, survival of the fittest, that will leave the industry stronger than before. And as for the Jaguar index? "Maybe the answer is not that people will get rid of their Jaguars," says Butensky, whose import has 30,000 miles on it. "Maybe they'll just keep them longer."

PATRICIA E. BAUER

The trade-off that may bring back TV's public-service standard

Broadcasters' goal: dismantling comparative renewal.

Six years ago, when Federal Communications Commission chairman Mark Fowler decided that public-service programming would no longer be used as a standard for renewing TV licenses, broadcasters applauded the move as a welcome relief from government regulation. It was therefore ironic early this year when two important trade associations, the National Association of Broadcasters and the Television Operators Caucus, began a campaign to revive the public-interest standard, in effect pleading with the FCC to step back in and regulate the industry.

To some extent, the about-face reflects the disenchantment among many traditional broadcasters with the state of public-affairs programming under the relaxed regulatory environment of the Fowler FCC. But the matter hardly ends there. Broadcasters have come to regard a return to the public-interest standard as a necessary trade-off for something they want much more: the dismantling of the expensive, time-consuming comparative-renewal process under which the FCC grants licenses. The revived interest in the public-service standard is but the opening round of a debate over a key piece of legislation on the subject introduced in the House early this year.

The bill, H.R. 1140, was originally introduced in 1983 and is sponsored by two longtime supporters of the broadcasting industry, Reps. Thomas Tauke (R-Iowa) and W. J. (Billy) Tauzin (D-La.). Tauke-Tauzin would scrap the present comparative-renewal procedure, which subjects station owners to lengthy litigation and FCC hearings, by allowing virtually anyone to step forward and challenge broadcast licenses when they come up for renewal every five years. Under Tauke-Tauzin, renewal would instead be based upon a station's compliance with a minimum national standard for public-service programming—the so-called public-service obligations embodied in the 1934 Communications Act.

Tauke-Tauzin is often called the “television deregulation bill,” but in fact its

aims are considerably more modest. The bill would simply substitute one form of regulation for another, and many critics fear that it will strengthen the franchises of existing owners while discouraging the entry of new players into the market.

Tauke-Tauzin is expected to reach the House floor for a vote sometime this summer. The NAB, which badly botched two earlier attempts at passage of Tauke-Tauzin, is working behind the scenes to quell opposition before hearings this spring. In February, the Television Operators Caucus, which represents 11 broadcast groups such as Westinghouse and Post-Newsweek, tacitly threw its weight behind the bill by releasing a statement supporting the public-interest standard.

“Most of us were raised in an area where the public-interest standard was unquestioned,” says Joel Chaseman, president of Post-Newsweek and chair-

man of the TOC. “It’s what makes broadcasters unique.”

While no one doubts their sincerity, such sentiments happen to dovetail nicely into the financial self-interest of Chaseman and his fellow TOC members. The relatively modest public-service requirements of Tauke-Tauzin are such that most profitable stations already meet them and thus would have nothing to fear at renewal time. New independents and weaker affiliates, however, would have a more difficult time meeting the requirements, and this could eventually discourage new investment by the kinds of non-broadcasters lured into station ownership in recent years.

Indeed, many prominent supporters of the legislation, aware of objections that will be raised by Fowler and other free-market adherents, are reluctant to promote Tauke-Tauzin under the guise of deregulation. “I keep hammering away at everyone down here that this is *not* deregulation,” says NAB vice president John Summers. “This is a trade-off that will rid us of a costly, unnecessary renewal process that has built up over the years and replace it with a standard that will stabilize the industry for everyone, especially for the existing owners.”

MARK FRANKEL

Av Westin's miscalculation

A candid look at news gets an ABC v.p. in hot water.

A not so funny thing happened to a certain manuscript on its way to *Channels*. The author, for reasons known only to him, chose to distribute it first to executives of his company, Cap Cities/ABC, where it was taken as a memo on ways to cut costs in the news division. In that form it broke company rules and made the writer, Av Westin, vice president of ABC News, seem to be angling for Roone Arledge's job as president. The indiscretion got Westin in a peck of trouble.

Better he had gone through *Channels*. He would have been accused only of sharing some interesting, and not especially heretical, ideas with the rest of the industry.

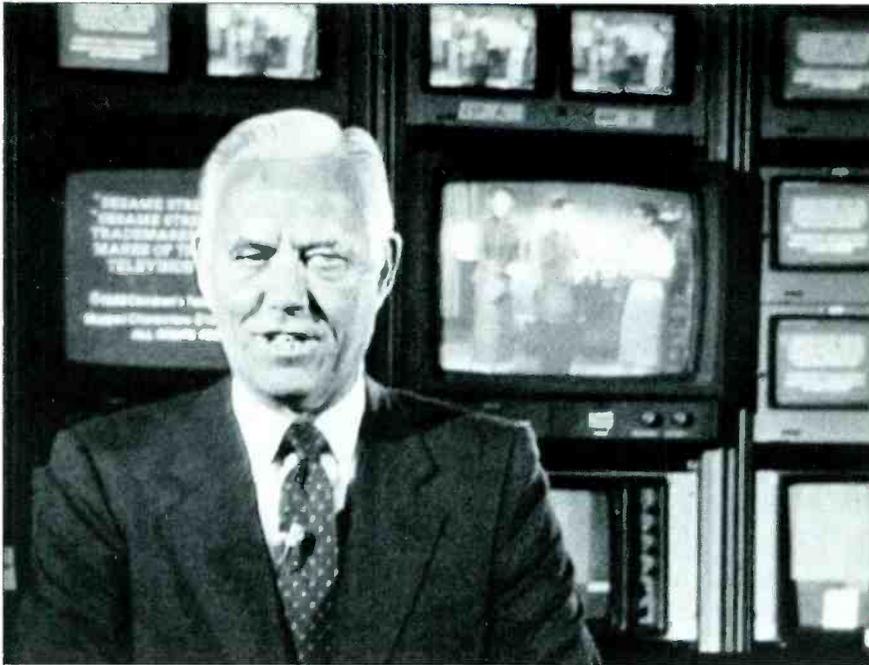
Westin's paper describes how ABC News operated quite ade-

quately on the cheap in the lean years. The use-ratio for material was high. But when ABC became affluent, the news division covered practically everything, at great levels of waste.

Westin calls for a readoption of four priorities that used to govern ABC News decisions:

(1) Spend money for really essential material, (2) anticipate trends with bank pieces and explainers at modest cost, (3) select stories from foreign sources or local affiliates for just the cost of transmission and (4) turn some stories down flat. This, he says, would make for slimmer bureaus while increasing the knowledgeable reporting that sets network news apart from local news.

LES BROWN



Jorgenson in high-def: Broadcasters hail HDTV in last-minute attempt to keep UHF spectrum.

High-definition's spectrum needs spur TV broadcasters to action

.....
 It's wide-screen Wally versus the Sheriff of Los Angeles.

Late in the game, when it seemed they would lose another handful of UHF channels to the nation's two-way radio users, broadcasters played their best card. Before audiences of Washington politicians in January, they tuned in the first high-definition TV transmission ever to come over UHF channels.

The high-def demonstration, a visual extravaganza featuring jet aerobatics and the '84 Olympics, began with a kind of general manager's editorial by Wally Jorgenson, president of the Charlotte-based station group, Jefferson-Pilot Communications. Jorgenson, who filled only a fraction of the wide HDTV screen, warned that broadcasters could be shut out of high-def. "The bottom line," he said, "is that the future of the local broadcast system may depend on access to more radio spectrum."

About a channel and a half were required for high-def transmission in Washington, using Japan's MUSE 2 system. (With that amount of bandwidth, newer transmission systems such as one recently patented by Wil-

liam Glenn of the New York Institute of Technology could even provide a picture compatible with standard TV sets.) And broadcasters will need that supplementary half channel if their image quality is to keep up with the high-def pictures expected from videocassette recorders and possibly cable TV. But since 1985 the Federal Communications Commission has been proposing to give "land mobile" radio users several vacant UHF broadcast channels in each of eight big cities, reducing the room for future high-def supplementation channels. Broadcasters say interference from the new mobile radio channels also threatens to degrade reception of existing UHF television.

Mobile radio interests are making "a concerted spectrum grab," says Eddie Fritts, president of the National Association of Broadcasters. TV has been losing channels to private radio starting with Channel 1 in 1948. Big chunks went in 1970 when the FCC took channels 70 through 83 off the TV dial and, in each of 13 large markets, let mobile radio use two more channels between 14 and 20.

Broadcasters had no effective defense. "Maybe we were crying wolf at one point," admits NAB vice president John Summers, "but we're not now!"

Land mobile's case has been helped by the size and unity of its constituency—the users of some eight million transmitters. "They have a single issue—more spectrum," says Greg DePriest, vice president of a group dedicated to protecting TV's spectrum, the Association of Maximum Service Telecasters (MST). "Broadcasters have a plateful of issues and seem to be losing this one."

Land mobile also can point to FCC projections of its fast-growing demand for frequencies. Each of the TV channels proposed for radio use could accommodate 240 simultaneous two-way conversations or 19,000 to 24,000 new radio transmitters per market. Yet even with the proposed new capacity, land mobile would run out of big-city spectrum capacity before the year 2000.

Land mobile's most effective petitioner for spectrum has been the sheriff of Los Angeles County, Sherman Block, described by Wally Jorgenson as "a big strapping fellow in a crisp uniform who can tell the commission that the public safety of Los Angeles will be in jeopardy if he doesn't get more spectrum." In a way, the HDTV issue is NAB's and MST's answer to Sheriff Block.

Washington observers say the broadcasters' demo and a followup petition to the FCC in February may have made a bona fide issue of the previously obscure UHF reallocation, possibly delaying FCC action or even changing its course. But the rebuttal didn't sway everyone. "If I'm facing a choice between a plumber getting the call when my pipes burst instead of a nicer picture on my TV," says a congressional aide, "I know which one I'll choose." Some speculate the FCC has an additional reason.

After all, as NAB's Summers has hinted darkly, the commission has a new incentive to reallocate spectrum. The President's proposed 1988 budget shows the government taking in \$600 million from FCC auctions of nonbroadcast spectrum, including mobile radio frequencies now reserved for TV. Such auctions are not yet authorized by Congress and may never happen, but if they do, the FCC would become a profit center for the government, shaving the 1988 deficit from \$1,024.9 billion to \$1,024.3 billion—and possibly changing the course of broadcasting in the age of high-def.

STEVE BEHRENS

The push to end blanket licensing hits a sour note with songwriters

Local broadcasters vs. Hollywood puts Congress in a bind.

It's been almost ten years now since local broadcasters declared war on the performing-rights organizations over the high cost of music on television. Now, after many skirmishes in federal court and in private negotiating sessions, yet another battle is drawing near—this one on Capitol Hill. It is certain to be loud and long.

As with all the best brawls in the nation's capital, this one is about money. At issue is the system under which songwriters are paid for songs that air on television. Currently, people who write themes and scores are paid a nominal up-front fee for creating the music. Then most of their income derives from royalties that kick in every time their music airs. The royalty money, in turn, is collected from local stations by the performing rights organizations: ASCAP, BMI and SESAC. Last year, payments totaled about 1 percent of local broadcasters' revenues, or more than \$100 million. In return for those payments, broadcasters are granted a "blanket" license that permits them to air all of the songs carried in the ASCAP, BMI and SESAC repertoires.

That would change under the broadcaster-backed bill that is the focus of the present controversy. The bill, authored by Rep. Frederick C. Boucher (D-Va.), would eliminate blanket music licensing in syndication and instead allow stations to buy music rights from producers or syndicators as part of the rights package for each individual program. This, broadcasters reason, would be much cheaper than the present system, because they would buy only the music they air—not every song under the sun. They say, too, that the Boucher bill would put an end to rakeoffs for music publishers and the performing-rights organizations. Under the current system, songwriters take home only forty cents of every dollar collected from the stations. Music publishers get forty cents for promoting the music and the rights organizations get twenty cents for monitoring performances and administering the system.

Boucher insists that his bill would

help broadcasters and songwriters while cutting the studios and rights organizations out of revenues they don't deserve. But composers don't see it that way. They fear that "source licensing," as it is called, would put an end to royalty payments that presently account for up to two-thirds of their incomes. Further, they say, it would devalue their future work by forcing them to make up-front deals with program producers long before anyone could know whether their music would attract an audience. Before long, songwriters say, studios would be pitting them against one another in a low-ball bidding war.

Lyricist Hal David, whose credits include "Raindrops Keep Falling On My Head," illustrates the point with a story about songwriters Leo Corday and Leon Carr. In the 1940s, the pair sold all rights for one of their songs to an advertising agency for \$750. The song: "See the U.S.A. in your Chevrolet," became the Chevrolet theme song and has been aired countless times in prime time via *The Dinah Shore Show*,

Bonanza and commercials up to the present. Had Corday and Carr retained ownership of the song rights—which would be prohibited under the Boucher bill—they could have made hundreds of dollars every time it was heard in prime time. (See chart.)

Such memories are bitter ones for composers and have prompted letter-writing campaigns, rallies and personal lobbying efforts by such big-name singers and songwriters as Dolly Parton, Henry Mancini and Michael Jackson. The Motion Picture Association of America, representing Hollywood's major studios, is also weighing in against the bill. The studios view songwriters as partners in assuming the up-front risk for making new television shows, and say they fear that a requirement to make up-front cash deals with songwriters would increase production costs in a business already heavily reliant on deficit financing.

Asked to choose between influential local television broadcasters and major Hollywood studios, Congress would be happy to sit this one out—and some insiders are hoping they will get that chance. With any luck at all, the controversy over the bill might hasten a compromise in price talks between the rights organizations and broadcasters. But price is only part of the problem. Until all parties agree on what the broadcasters are paying for, the fight likely has some rounds left to go.

PATRICIA E. BAUER

Prime time Music Revenues for One Season of *Dallas*

Creative fee per episode	\$3,500
Performance right royalty per minute	\$164
Number of minutes of music per episode	14
Number of episodes per season*	30

Music revenues for background music

\$72,380

Performance royalty per prime time play of theme song	\$500
Number of episodes per season*	30

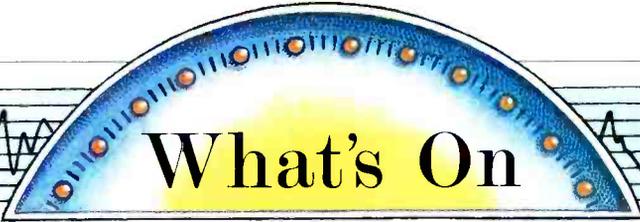
Music revenues for theme song

\$15,000

Total music revenues for one season of *Dallas*

\$87,380

*Dallas does not have prime time repeats



What's On

A • P • R • I • L

Opening Pitch

by Cecilia Capuzzi

MARCH 28-31: The 65th **National Assn. of Broadcasters** convention theme is service in the local marketplace, but talk concentrates on the national forum. A continuous demonstration of high-definition TV is expected to hammer home to the FCC broadcasters' desire for additional channel spectrum so they can compete in hi-def with Japanese VCRs. Condom, beer and wine commercials dominate advertising discussion, as does the phenomenal growth in local spending. Comparative renewal, the Fairness Doctrine and relaxation of ownership rules are top regulatory concerns. More than 30 congressmen and all FCC commissioners, including **Mark Fowler**, participate in panels. **Fortune** magazine's **Marshall Loeb** gives new tax code advice. **Martin Umansky**, former **Kakeland Broadcasting** head, is honored as distinguished broadcaster.

APRIL 11: The 1987 baseball television season kicks off with last year's champion Mets in the first of 30 games to air Saturdays on **NBC**. Together with **ABC**, which airs eight Monday night games and the World Series, the two networks are in the third year of a six-year \$1.1 billion contract with **Major League Baseball**. Already there is speculation about 1989 bidding. With last year's World Series performing the best in years (ratings were up 13 percent) and **ESPN**, **HBO** and **TBS** interested in carrying major sports, MLB is watching closely the **National Football League** network negotiations. "The networks are crying poverty, but we're looking to do deals to protect ourselves," says MLB's **Dave Alworth**. But NFL's TV ratings are down and last year the networks lost a reported \$100 million on the games. **Art Modell**, chairman of NFL's TV committee, says the next pact could include cable rights.

APRIL 27: **ABC 20/20** host **Barbara Walters** celebrates 11th year with the network. ABC hired Walters away from **NBC's Today** show to co-anchor its evening news with **Harry Reasoner**, luring

her with the then unheard of salary of \$1 million a year. Walters set the scene for the often outrageous compensation paid on-air talent. Now with a push to lop network budgets, some—like former **CBS News** president **Fred Friendly**—are looking at the salaries of on-air personalities. Talk is that **CBS** head **Larry Tisch** may look there as well when he cuts millions out of the network's news budget.

APRIL 27: One year ago, **John MacDougall**, aka **Captain Midnight**, catapulted to international fame when he broke into **HBO's** presentation of *The Falcon and the Snowman*, decrying the cable network's plans to charge backyard dish owners \$12.95 a month for its programming. A TVRO dealer, MacDougall proved how easy it is to break into satellite transmissions. Since then, **HBO** has upped the wattage of its satellite feeds, employed

a backup satellite and is testing the more secure Ku-band system, to which it will gradually shift its feeds.

APRIL 29: **Arbitron Ratings** debuts its **ScanAmerica** people meter in 600 Denver homes in time for the May sweeps (**April 29-May 26**). The move is the first in the company's plans to take its once-local TV ratings national. By 1988, Arbitron will have installed 5,000 meters around the country. The company's jump on the people-meter bandwagon heightens the competition to monitor what Americans watch on TV. **A.C. Nielsen Co.** launches its people meter nationally in 2,000 homes in September, as does Britain's **AGB Television Research**, which started the meter hoopla in the States almost four years ago. So far, seven major ad agencies as well as **CBS**, **MTV** and **Orbis Communications**, subscribe to AGB.

CALENDAR

April 16: National Assn. of Black Owned Broadcasters awards dinner. Washington D.C. Sheraton. Contact: Lynne Taylor, (202) 463-8970.

April 21-26: 23rd Annual MIP-TV. International program market. Palais des Festivals, Cannes, France. Contact: Barney Bernhard, (212) 967-7600.

April 21-23: New York International Home Video Market conference. Jacob Javits Convention Center, New York, N.Y. Contact: Henry Feintuch, (212) 682-6300.

April 22-25: National Hispanic Media conference, Los Angeles Hilton. Contact: Frank Newton, (202) 783-6228.

April 23: Fiberoptics Venture '87. Presentations to investment community. Ritz-Carlton Hotel, Boston. Contact: June Warren, (401) 849-6771.

April 26-29: Public Broadcasting Service annual meeting. Omni Hotel, St. Louis. Contact: Jane Brantley, (703) 739-5182.

April 26-29: American Public Radio conference. Columbia Inn, Baltimore. Contact: Diane Engler, (612) 293-5466.

April 26-29: The Broadcast Financial Management Assn. conference. Boston Marriott Copley Place. Contact: Mary Ghiselli, (312) 296-0200.

April 28-30: Washington Journalism Center conferences on religion, television and money in politics. Watergate Hotel, Washington, D.C. Contact: Mrs. Adamson, (202) 331-7977.

April 29-30: Illinois Broadcasters Assn. convention. Hilton, Springfield. Contact: Wally Gair, (217) 753-2636.

April 29-May 3: National Public Radio conference. Washington, D.C., Hilton. Contact: Carolyn Glover, (202) 822-2090.

May 3-6: Canadian Cable Television Assn. convention. Montreal. Contact: Christiane Thompson, (613) 232-2631.

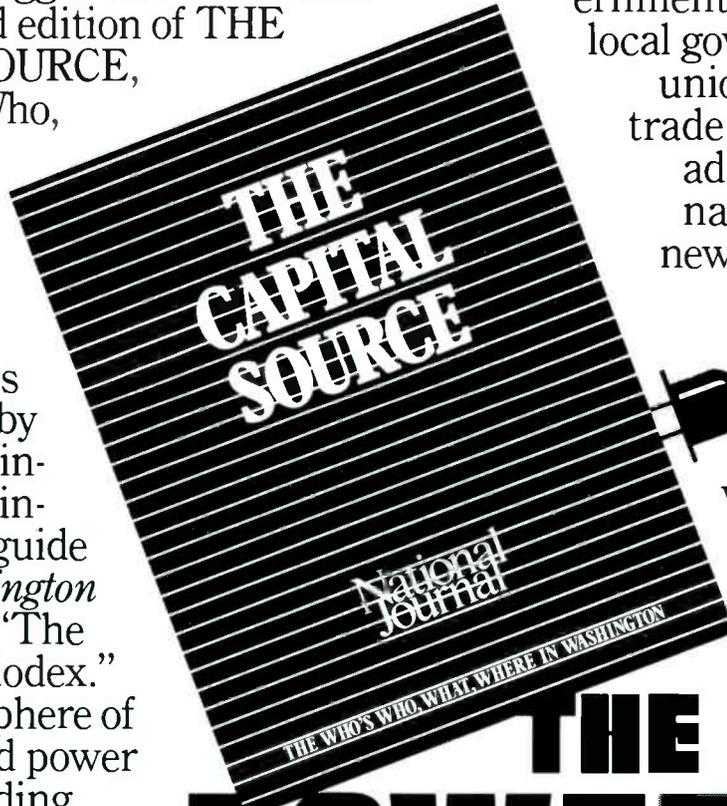
May 9-16: 27th Golden Rose of Montreux television festival. Palais des Congrès. Montreux, Switzerland. Contact: John Nathan, (212) 223-0044.

May 11-13: CD-I/The Future, conference. Moscone Center, San Francisco. Contact: Carol Peters, (212) 279-8890.

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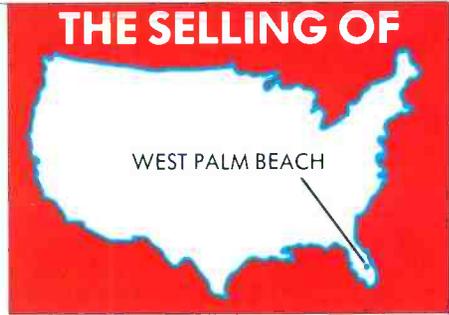
Local TV Fights Back in Palm Beach

Four Florida stations find the best defense for station and cable 'spill-in' is a united offense.

by Mike Clary

You had only to look at the ratings to see the problem: Here was Palm Beach County, third-fastest-growing area in the country—its population expanding
 Mike Clary last wrote for Channels about satellite news gathering.

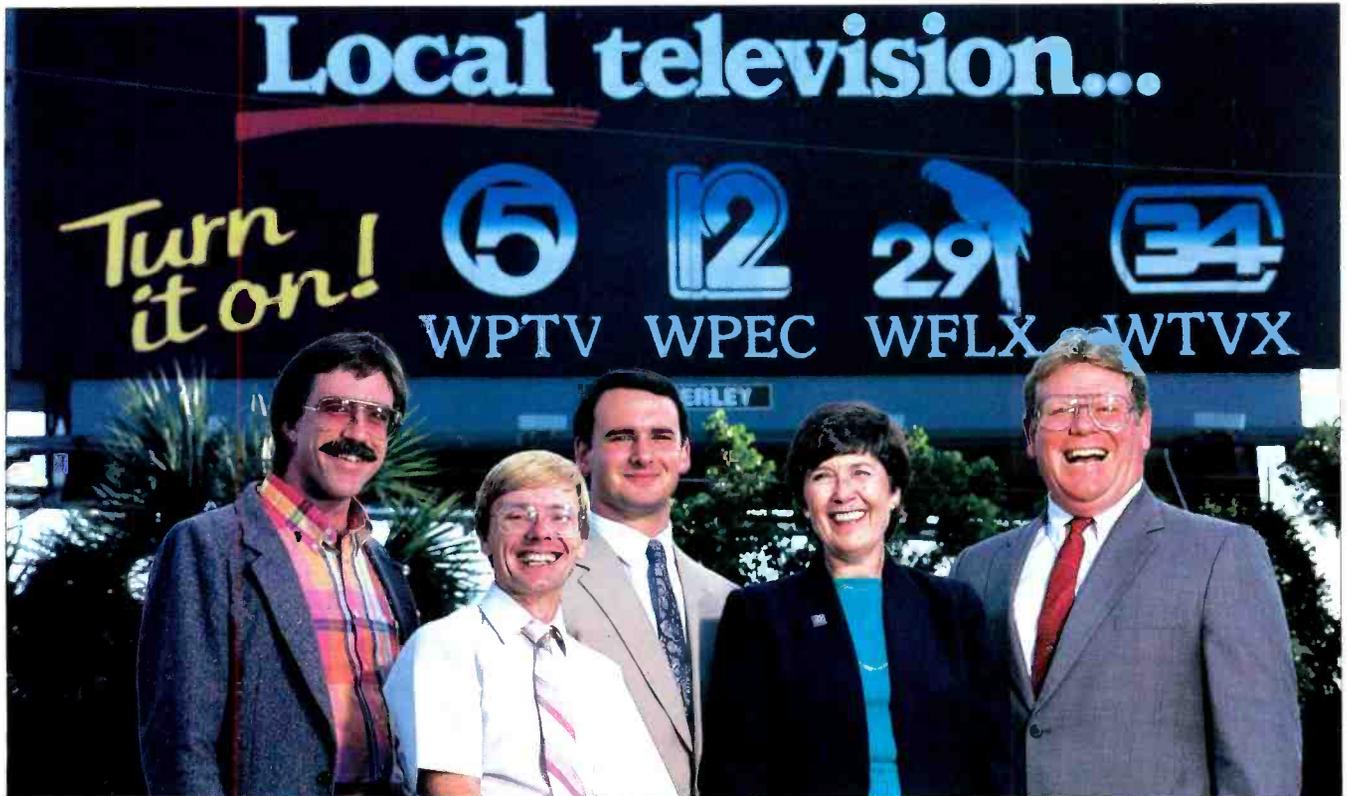
by nearly 2,500 people a month—yet the audience for the market's five television stations showed scarcely any growth at all over the past few years.
 The missing viewers were no mystery to Jay Oliver, sales and marketing manager of WTVX, the CBS affiliate in West Palm Beach, or to any of the other local broadcasters unable to cash in on the Sun Belt migration. Their market was plagued by "spill-in," the intrusion



of signals from larger neighboring cities, beaming in both over the air and on cable, which already had claimed almost a third of their audience. Many of the new arrivals in Palm Beach County had come up from Miami and Ft. Lauderdale, and since the stations they used to watch were available in their new locale, they simply punched the same channel numbers as before.

So Oliver decided to tackle the problem in a big way. A large, determined man of 43, he is not one to be intimidated by difficult tasks. He once brought the roller derby to Mexico, track and all, and a few years ago tried promoting NFL football there.

A special Arbitron study Oliver ordered in 1984 confirmed his suspicion that the three Palm Beach network affiliates were losing audience, especially in prime time, to their counterparts from Miami, 90 miles away. "What we found," says Oliver, "was that the viewers didn't know what station they were



West Palm gang: Adman Jim Dustin of Dean Oliver Dustin, WPTV's Wayne Cunningham, WPEC's Edward Staak, Lois Kwasman of WFLX and Jay Oliver of WTVX.

JOSE FERNANDEZ

watching. Maybe they knew *Magnum P.I.* was on CBS, but they didn't know they were getting it over the Miami affiliate instead of our station."

Television, as Oliver points out, is not like radio—people don't have that same loyalty to stations. Oliver decided to persuade his rivals in the hotly competitive market to join in an extensive campaign to raise the profile of the local industry and, in effect, sell local television to the citizenry. The other two network affiliates in the market, WPTV (NBC) and WPEC (ABC) as well as independent WFLX are participating in the campaign.

Today, Palm Beach residents and visitors can hardly miss the billboards—there are about 40 of them—reading, "Local Television Works for You. Turn it on!" On television, the news anchors and weathermen appear together in promotional spots, talking about community service. And in a promo of his own, Brother Joe Ranieri, director of a West Palm Beach shelter for the homeless, makes his pitch for the cause: "Ever see a television station from outside our area support our projects?" Oliver and executives at the other stations have also begun a campaign to persuade local newspapers to give their stations more prominent display in their television page listings.

The idea of a local station mounting a "watch me" campaign is older than *Lucy* reruns, but for four vigorously competitive stations to join in an extended promotion is most unusual, if not unique. Stations in Lexington, Ky., another middle-sized market with "spill-in" problems from Cincinnati and Louisville, once united in a similar campaign that ultimately helped Lexington move up from the 79th to the 73rd largest market in the country.

Oliver's caper in Florida has attracted an especially attentive national following, however, and for good reason. In an age of cable and backyard dishes, virtually every market is vulnerable to an invasion of duplicate signals. Conventional wisdom is that localism is what gives broadcast stations an edge within continually fragmenting markets, and many regions of the country may soon be following the West Palm Beach lead.

"I've heard other markets discuss it, but I don't believe I've ever seen a wall-to-wall movement like this one," says John Yurko, a consultant with Frank N. Magid Associates. "That all agreed to take part is something like a miracle."

Yurko, in fact, unsuccessfully urged his client, WPTV general manager Bill Brooks, to think twice about throwing in with the others.

"We outlined the possible downside," he said. "As the local news leader,

WPTV had the most to lose and the most to sacrifice." But Brooks decided to join anyway. (One local outlet, public station WXEL, decided not to participate after its Washington attorneys voiced concerns about possible anti-trust violations.) The commercial stations are so sensitive to the appearance of collusion that they keep the arrangement informal and only meet in public restaurants.

"No one wants any suggestion that there is any cooperation among the sta-

.....

'No one wants any suggestion that there is any cooperation among the stations extending beyond this effort. It's still war, absolute war.'

.....

tions that extends beyond this effort," says Robert Wiegand, executive vice president and general manager of WPEC. "We're still very competitive. It's still war, absolute war."

In many ways, an experiment in competitive cooperation is perfect for this sun-splashed residential and vacation area that has been growing too fast to have established a clear identity. Palm Beach County, the hub of the mushrooming five-county television market, has a population today of 735,000, embracing the old-moneyed patricians in the mansions along the eastern shore, the southern rednecks on cattle ranches, orange groves to the west and a large slab of modern suburbia in between.

For decades, Palm Beach had been linked with Miami and Ft. Lauderdale in a geopolitical region called the Gold Coast. In times past, Palm Beach County was happy to be included and to take from Miami a little reflected glory as a hot spot in the sun. This identification was strengthened by the fact that most of the television signals came from Miami. But then Palm Beach County got its own stations, and in the meantime Miami began to suffer serious image problems as a crowded and crime-ridden city.

Oliver saw that old association as the biggest obstacle to boosting local identity. So the first part of his strategy was simply to secede from the Gold Coast. The four cooperating stations, in their TV spots, now call Palm Beach County

part of the Treasure Coast, the less populated area to the north.

The second part was to distinguish the local network affiliates from those of Miami and, in fact, to help viewers know which of the stations on cable are the local ones. In Palm Beach County, where 65 percent of television homes have cable, the Miami stations have the same channel numbers on the cable converters as they have over the air, while the local UHF stations do not. Miami's CBS affiliate, WTVJ, Channel 4, for example, also occupies channel 4 in Palm Beach. But new residents have to be reminded that WTVX, on channel 34 when picked up over the air, is channel 8 when viewed via cable.

The volley of spots first aired by the four stations last August amount to a blatant plea for hometown loyalty. In the initial promos, the local news anchors were assembled to talk about community service, while in another set of spots the general managers engaged in some carefully scripted boosterism. Oliver himself appeared in a spot reminding viewers that local advertising presents "a way to find opportunities to save money."

In the next wave—what Oliver calls "the attacking phase"—the spots took direct aim at the enemy and called it by its name: Miami. The promos and billboards were followed up with print ads in local papers. The stations also bought a rash of radio spots featuring a jingle that says: "Local weather, news, sales events too/Helping the people in your neighborhood/Local television works for you."

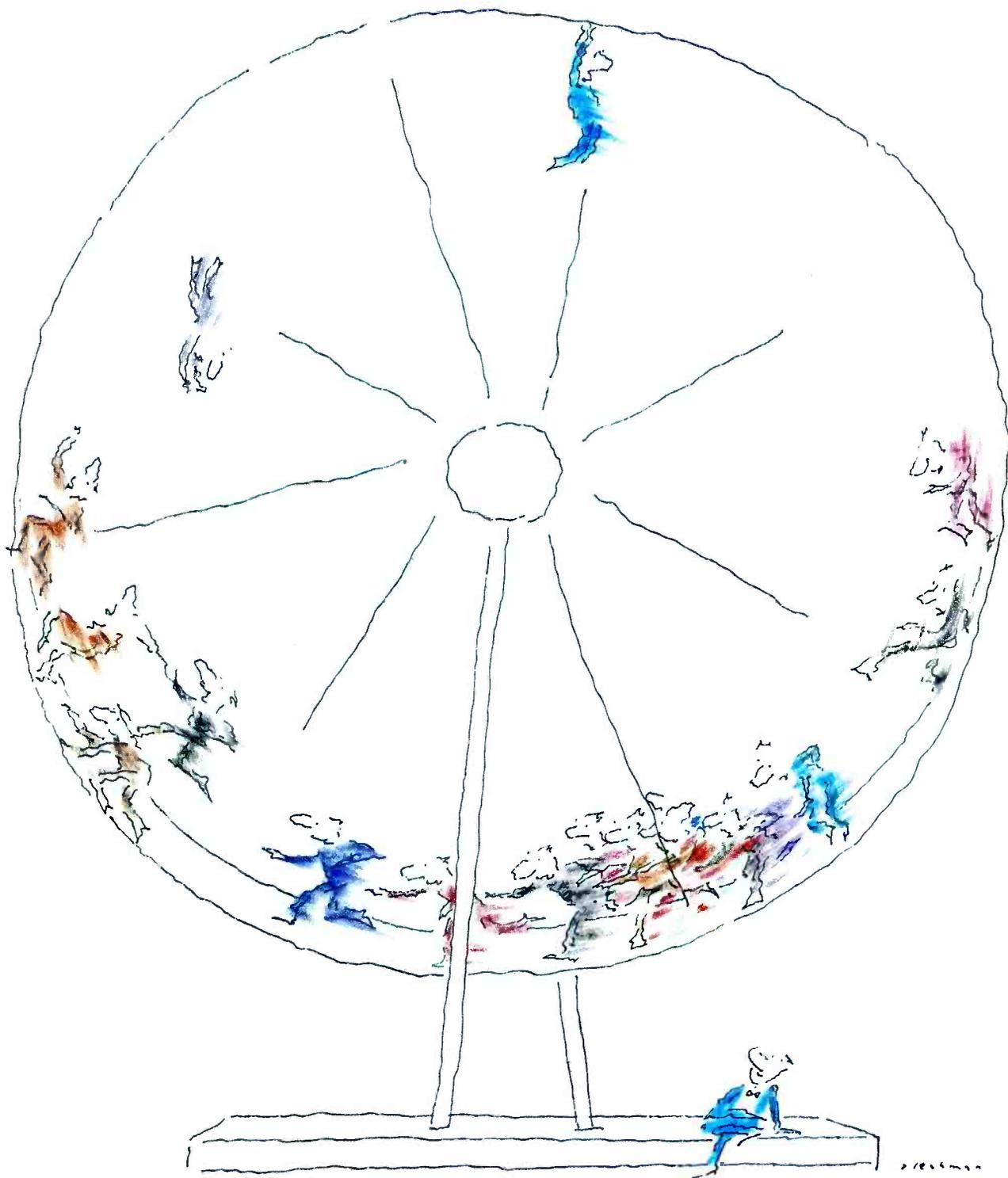
The four stations have committed airtime under a formula that calls for each to contribute 250 gross rating points a month. WTVX general manager Lynwood Wright estimates that the four-station effort will cost a total of \$400,000. In return, the stations hope to gain 12 share points for their market over the next two years.

And preliminary evidence suggests that the campaign is working. In the November Arbitron sweeps, the three Palm Beach network affiliates had a 52 share of the prime time audience, up from a 49 share during the same period in 1985. Meanwhile, Miami's share in the Palm Beach County area rose one point, from 29 to 30.

To Oliver, that's progress. "At least we're not going backwards anymore," he says. But the real payout may someday be much greater for Oliver, whose ambitions have always extended beyond West Palm Beach. "I'm getting calls on this campaign from stations all over the country. If it works, we're going to syndicate this thing, recoup our investment and go national." ●

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THE PUBLIC EYE



by Les Brown

If home shopping can make such gorgeous bucks without ratings, what heights could it hit with a 6 in the Arbitrons?

HOME SHOPPING IS FOREVER

As a new programming form—**aesthetic judgments aside—teleshopping gets wildly mixed reviews from the professionals. Some praise its interactive dimension; others condemn it as culturally insidious. The difference usually depends on which medium carries it. There is this paradox:**

On cable channels, home shopping services are viewed as fulfilling one of the cable medium's blue-sky promises: taking television beyond entertainment into the new realm of transactional communications. This isn't a show, you see, it's electronic retailing. But when home shopping invades a television station and uses the airwaves expressly for the direct marketing of goods and services, it seems commercialism run amok, the desecration of a medium born to nobler purposes. This isn't electronic retailing, it's a living satire on the television industry's venality.

However it's regarded, there's no denying that the selling of merchandise off the television screen, with the help of an 800 phone number, is the most consequential development in programming since pay television. And by some amazing, fateful coincidence, home shopping arrived just when the financial wheeler-dealers took a fancy to the television industry and raised its consciousness to the bottom line.

Last year, the eye-popping Home Shopping Network—the first of the services to go national by satellite—had revenues of around \$420 million, slightly less than half the total ad revenues for all of cable. And did it, moreover, without scoring a point in the ratings.

If you went by TV's traditional measurement you'd have said no one was watching, yet nearly a million Americans bought from HSN in 1986, averaging 15 purchases each at an average price of \$33. Most of it was close-out merchandise. And here's a tantalizing thought for those mining television for the money: If home shopping can make such gorgeous bucks without ratings, what heights could it hit with a 6 in the Arbitrons?

Presumably that prompted Lorimar-Telepictures to syndicate the six-a-week ValueTelevision (VTV) hour and MCA to jump in with *The Home Shopping Game*. There are now close to 20 teleshopping services and scores of producers creating hybrids of entertainment and direct marketing.

Home shopping would probably have dwelled longer in cable's exclusive domain but for that industry's own venality. Powerful cable owners such as

TCI and other large MSOs, showed their gratitude to HSN for blazing a new revenue trail (the cable operator gets 5 percent of the sales in its franchise area) by creating a competitor with C.O.M.B., a Minnesota-based specialist in close-out goods. And since they have a direct financial stake in the new company, Cable Value Network, the large multiple system operators choose it for their systems instead of HSN.

In self-defense, HSN quickly bought 11 floundering UHF stations and continues to look for more. Undoubtedly, it will network its service to TV stations around the country, settling, if it has to, for the early morning hours.

Many established broadcasters find the prospect depressing. "Okay there's money in it," says one, "but is it really television?"



The Home Shopping Network: The bubble may burst, but its substance has already entered the TV system's bloodstream.

That attitude may have been reflected in the initial lack of enthusiasm for *The Home Shopping Game*, even though the game show is quite engaging and the deal to broadcasters seemingly irresistible—a free program with two ways to make money, from the sale of advertising and from commissions on the merchandise sold. In recent weeks, however, it's gotten hot.

The Home Shopping Network couldn't have made it into broadcast television before deregulation; there used to be rules prohibiting program-length commercials. HSN is a 24-hour commercial, but that's allowed

today if viewers will stand for it.

But if this new TV form is a beneficiary of deregulation, it may also become a victim of it. HSN depends for much of its reach on carriage of its UHF stations by the local cable systems. If the must-carry rules are altered to allow cable to drop stations that don't receive significant ratings, the home shopping outlets will surely get bumped. All is not rosy for HSN.

The cable problem aside, a number of Wall Street analysts consider the home shopping phenomenon a mere fad, destined to blow away like STV (over-the-air pay-television). Not likely. STV lost out to better mousetraps—cable pay networks and VCRs. But in a medium that prides itself on selling products better than any other, the home shopping technique may be the better mousetrap. Maybe the HSN bubble will burst, but if so its substance will have already entered the bloodstream of the television system.

Like it or not, the process of transforming television from an advertising medium to a sales medium has already begun. Teleshopping is a new way to make money in a new time, when bottom line considerations outweigh all others. And like some mind-altering drug, it could change the whole meaning of television for all time. ●

JOSE FERNANDEZ

STEVE ALLEN

Actor-Comedian-Composer-Writer



If you see something you like on television, praise it.
I don't mean to write in to Tom Selleck
and tell him his moustache is marvelous.



Write to the executives of the networks.
You can easily get their names, and
encourage them to continue the good work.
On the other hand, if you see something that you deplore



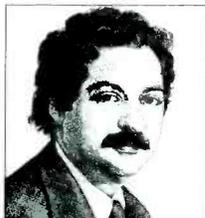
don't write a letter frothing at the mouth;
but write, encourage your friends to write.
That is an important thing to do.
It's almost the equivalent of the vote in the political process.



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THE BUSINESS SIDE

HOW CBS LANDED GRANT TINKER



by Merrill Brown

'These days, succeeding is almost more expensive than failing, because you have to look at years of red ink.'

For all of Laurence Tisch's troubles at CBS—the ongoing fights over the CBS News budget, the network's difficult prime time situation and the rocky start of *The Morning Program*—he has pulled off one remarkable coup: signing program whiz and former NBC chairman Grant Tinker to a hefty production contract.

At CBS, this is a source of jubilation. Meanwhile, Tinker's protégés and former colleagues at NBC lament their network's failure to hook up quickly with their revered ex-boss in his new Hollywood studio venture with Gannett. "It should have sent CBS stock up five points," says one top NBC executive. Tinker says things "are going so well for NBC there can't be much sadness. I wanted to go where there was need and opportunity."

Both Tinker and NBC officials are eager to point out that the Tinker-CBS pact is not an exclusive one, and NBC programmer Brandon Tartikoff says NBC doesn't necessarily want Tinker's first show, just his "first hit." Nonetheless, Tinker admits that CBS gets first crack at all the company's output. "Our first deliveries will be necessarily to CBS," Tinker says. "For a couple of years, we can't deal with anybody else."

Although General Electric and NBC officials, including G.E. chairman John Welch and NBC president Robert C. Wright, apparently tried in vain to sign Tinker, the courtship of Tinker by Tisch and by CBS chairman William Paley proved irresistible on two counts. One is money. "It's a substantial deal, very generous," Tinker says. "They made an offer that was hard not to be responsive to."

But Tinker also points out that what was far more important was CBS' ability, with its second-ranked prime time lineup, to provide him with virtual commitments for choice prime time slots. And Tinker knows better than perhaps anybody the volume of sitcoms—his historic speciality—in the NBC pipeline. "Welch would have paid him just about anything but couldn't give him a place to put stuff on the air quickly enough," says an NBC official.

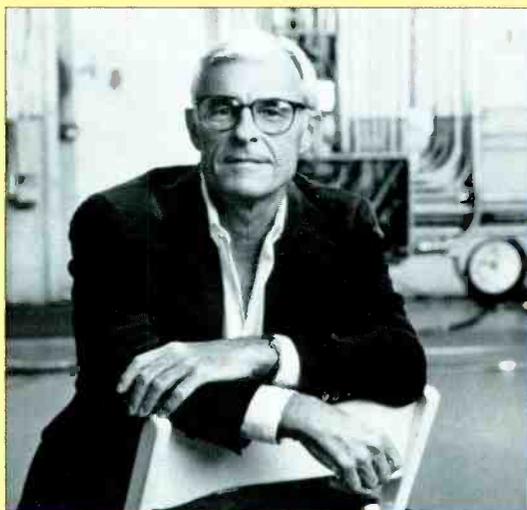
"You get only 22 hours of prime time," says Tinker. "There's no way in NBC's wildest fantasies that they could offer as much as CBS might need. Don't worry, NBC isn't going dark on any night."

As Tinker tells it, the first step in the return to his career as a television producer took place the very last day he was in New York, departing from his NBC

chairmanship. Sticking close to his pledge not to negotiate his future plans while still making NBC decisions, Tinker met for "soft drinks," as he puts it, with Gannett chairman Alan Neuharth and several other top Gannett people. It was all set up by former NBC chairman Julian Goodman, now a member of Gannett's board of directors. Put that together with the fact that Gannett purchased an underutilized studio, Laird International, with 14 acres and numerous sound stages and is investing a reported \$15 million upgrading it, and it's clear why Tinker was so eager to launch T/G Productions with Gannett.

At about the same time, CBS's wooing of Tinker began at the Paley-Tisch level. Although Tinker won't comment, sources say Tisch offered him a top job at CBS—presumably the company's presidency—a proposal that clashed with Tinker's desire to return to California on a full-time basis, ending his six years of commuting from coast to coast. Numerous other companies dangled deals of various kinds before Tinker but the early courtship by CBS executives and their ability to offer his new production company an abundance of available time slots gave them the inside track.

Moreover CBS, which carried *The Mary Tyler Moore Show*, was of course vital in getting Tinker's MTM partnership with his former spouse, Mary Tyler Moore, off the ground. The relationship with CBS "worked pretty well for

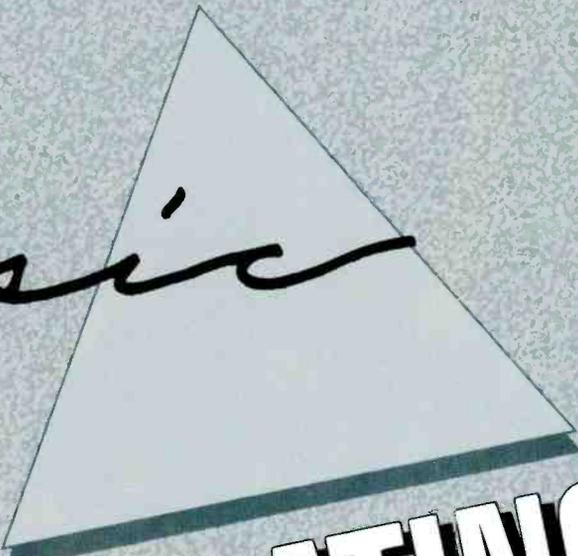


Grant Tinker: The former NBC chairman couldn't turn down the big bucks and prime time spots CBS dangled to snare him.

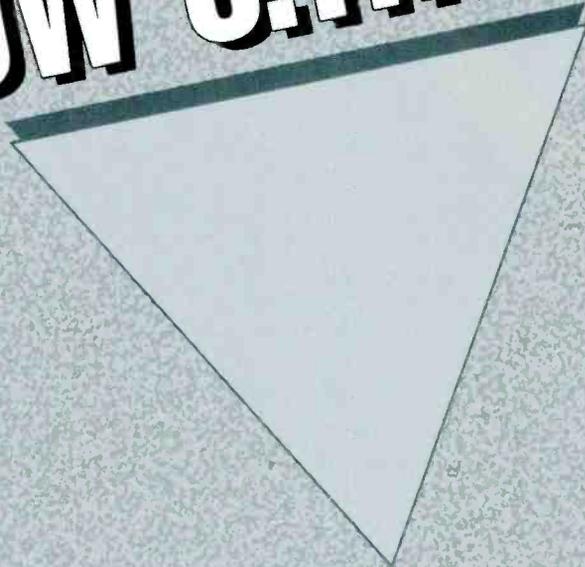
MTM," he recalls with a chuckle. Another consideration in Tinker's decision to move forward with CBS was the changed nature of the business he first entered with Moore nearly two decades ago. "For one thing, the CBS deal removes the distraction of marketing your wares," he says. "It's much more expensive these days... MTM started out on the strength of a commitment to *Mary*, and then *Newhart* followed. We were able to grow without going outside the network for support. Deficits were manageable in those days. We were able to do business with money from our basic dealings. These days, succeeding is almost more expensive than failing because you have to look at years of red ink."

But in most other ways, the MTM model is very much what Tinker has in mind for the new endeavor. Tinker has already brought in Stuart Erwin from MTM and has enlisted leading sitcom director Jay Sandrich. MTM is also a model of the way he hopes the new studio will operate. "We huffed along at four to six shows," he says. "Only with that many can you be connected to everything that goes on." He wants to focus, however, on series first before moving into TV films and perhaps "a feature down the road." That focus could be Larry Tisch's best hope to date. ●

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The Norman Conquest

by Cecilia Capuzzi
.....

After years of circling radio's waters, Norman Pattiz is in for the kill. His radio network, Westwood One, is ready to close on the industry leader, ABC.

When Norman Pattiz is stuck in traffic, there's no telling what he'll do. Impatient and in a rush, Pattiz, chairman and chief executive officer of radio network Westwood One, once ordered his chauffeur to ram a pushy Mercedes that almost sideswiped them. "Yeah," says the chauffeur, driving Pattiz to receive an award as an outstanding executive early this year. "Then you fired me for not hiring a helicopter." "But I hired you back the next day," Pattiz yells from the burgundy interior of his white Lincoln limousine.

Norman Pattiz is a man in a hurry. In just 12 years, he has turned a \$10,000 investment in a syndicated radio show into the number two radio network in the country, today capitalized at \$250 million. In December 1985 he purchased the radio assets of the then 51-year-old Mutual Broadcasting System. Revenues, a respectable \$19 million for the year, jumped to \$59 million in 1986 and analysts are projecting \$85 million in 1987.

And Pattiz shows no signs of letting up. Last January, he spent a reported \$22 million (Pattiz says the amount is lower) to purchase the trade publication *Radio & Records*. Last

Ay-ahh! A former karate teacher with no radio savvy, Westwood One CEO Norman Pattiz learned quickly. Now he owns the second-largest radio network and gets his kicks by bucking an uptight industry establishment.

September he raised \$100 million in a subordinated debenture offering with the intention of expanding his commercial inventory and increasing sales from a 16 percent market share to 30, to compete

with number one ABC. His aim: acquiring NBC radio.

"It's not about personal wealth anymore," says Pattiz, sitting back in a plush chair in his bright Culver City office. At 44, Pattiz is already worth more than \$40 million. "We're the fastest-growing company in the fastest-growing segment of broadcasting. We have a unique opportunity to become a more important player. It would be foolish not to go after that."

Pattiz is representative of a new breed of broadcaster: entrepreneurs filling cracks in the business that networks, too lumbering or too interested in megaprofits, failed to see. His success also points up a revived interest in radio on the part of advertisers and the financial community. But it hasn't won him a host of admirers.

To his critics in the radio business, Pattiz was a West Coast minor leaguer who stumbled into radio and now flaunts his wealth and success. To some current and former employees, he's a hard-driving, explosive idea man who won't take "no" for an answer, gets others to execute his plans—and then hogs the credit and the press.

That accounts at least in part for the departure last May of Pattiz's longtime associate Arthur Levine, former Westwood One president and chief financial officer. Alternately described as the "genius" behind Westwood's initial public offering and the acquisition of Mutual, and as an "abrasive bean counter" who knew little about operations, Levine realized he'd never be Pattiz's equal, cashed in his chips for an estimated \$10 million and started his own acquisitions firm.

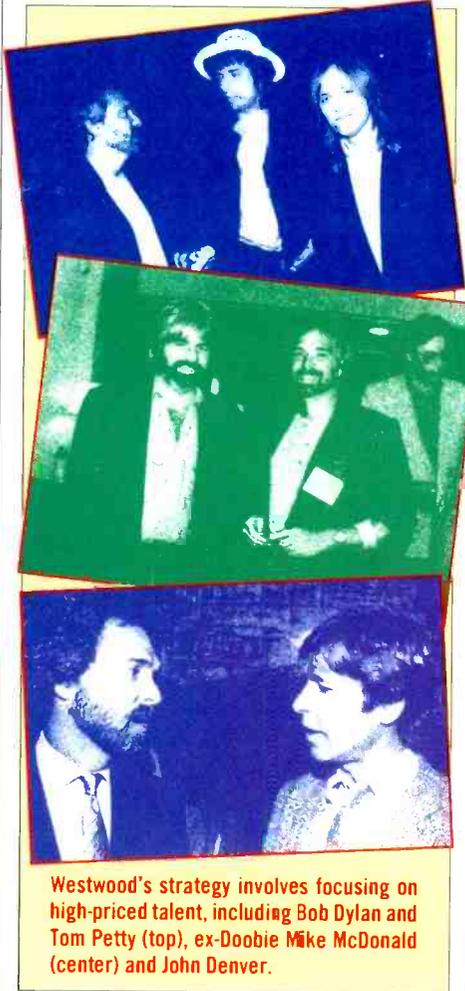
Some insiders also complain that Westwood has grown too quickly (57 employees in 1984, about 270 today) and turns out too many shows of inconsistent quality. Though there is a core of longtime Westwood One employees, there has also been a steady stream of departures by those who say Pattiz—mercurial and demanding—is too difficult to work for. Those who stay are bound by golden handcuffs: Pattiz compensates employees handsomely.

Since Westwood One went public in 1984 and bought the floundering Mutual network in 1985 (turning a profit for the outfit for the first time in seven years), a skeptical radio industry has been forced to take Pattiz seriously. And Pattiz is loving every minute of it.

Brash, hip, engaging, handsome and rich, Pattiz is a Hollywood personality in a business dominated by New York men in suits. He sports gold bull-and-bear cufflinks on French-cuffed shirts, lives in a \$6 million Beverly Hills home (purchased from buddy David Geffen of Geffen

Records) and drives a green Aston Martin ("Dress British, talk Yiddish," Pattiz says). "Norman," says a New York radio executive, "has all of the irritating habits of the nouveau riche." In short, Pattiz is enough to make any buttoned-down, pin-striped radio executive who's toiled his way to the top playing by the rules a bit envious.

"They're sour," says one source. "If there's a schism in radio, it's between the industry and its failure to give Norm appropriate recognition for his accomplishments. To their discredit, no one stood in his shoes when he was becoming successful. The industry said, 'He's a



Westwood's strategy involves focusing on high-priced talent, including Bob Dylan and Tom Petty (top), ex-Doobie Mike McDonald (center) and John Denver.

rank amateur. He doesn't know what he's doing.' He became abrasive and an eminently disliked individual."

"I don't mind the image of being the maverick from the West Coast up against the alphabet networks," says Pattiz. "As for doing things a little differently, if being out of step means moving in what a lot of people consider to be a better direction, and that's the outcome, then I say more power to it."

The irony in Pattiz's success is that in his early years in radio, he *didn't* know what he was doing. After graduating from California State University in physical education, Pattiz worked at every-

thing *but* radio, first in the mailroom of talent agency General Artists Corp. for \$55 a week. Tired of "schlepping coffee and mail," he quit and spent the next year teaching karate, bouncing at a rock club, selling men's clothing, lying on the beach and, together with some karate buddies, starting a kind of bodyguard/check-collecting service in which he did isolated gigs for Sammy Davis Jr., Lou Rawls and Buddy Greco. That was followed by a stint in public relations and then six years in TV sales at Los Angeles independent KCOP, before starting Westwood.

Although Pattiz likes to present his rise to the top as an accidental stumble complete with all of the romance of a Horatio Alger story, his success has had little to do with luck. He had no clear strategy in the beginning, but his uncanny sense of what listeners want to hear and what stations want to broadcast, along with his expert salesmanship, "personal dedication to getting rich" (according to a former employee), and an eye for publicity ("Part of Westwood One's success is that they keep telling you they're successful," says a Wall Street executive) distinguished him from his few competitors in the business 12 years ago.

Back then, radio was experiencing a minor rebirth and beginning to recover from the exodus of national advertisers to television. The Federal Communications Commission had recently issued an FM stereo standard, and required that owners with dual AM-FM signals program each separately. Both factors created the need for new programming, and independent production companies began to spring up: Drake Chenault, Watermark, DIR and Starfleet, a producer of concert programs (later acquired by Westwood One), were early entrants in the field. But all *sold* their programs to stations, limiting their reach. Drake Chenault experimented briefly with barter syndication, but with no success.

In 1975, Pattiz was a 32-year-old unemployed television salesman and sometime karate teacher trying to decide what to do with his life. He'd just been dumped as head of sales at KCOP-TV and replaced with the new boss's younger brother. The timing couldn't have been worse. In three days he was to be married. "Pissed and pretty unhappy," he and his first wife extended their honeymoon to six weeks in Maui.

Back in California, Pattiz decided to go into business himself but had little idea of what to do. Then, listening to a 52-hour Motown special on black station KGFJ in Los Angeles he figured the show could be syndicated in a barter advertising arrangement similar to those in television. He made a deal with KGFJ and Motown Records to produce a 24-hour



Mutual's admiration society: Pattiz appointed Arthur Kriemelman (left) and Jack Clements as copresidents.

version of the show called *Sound of Motown*, signed on 200 affiliates and sold national spots to Warner Lambert, Schlitz Malt Liquor and United Vendors. The venture was a success and Pattiz pocketed \$100,000. National sponsors were so happy that Pattiz spent the next couple of years producing 52-week programming vehicles for them.

There were two urique elements in Pattiz's approach: barter syndication,

which was rarely tried in radio; and his success at getting highly rated, white Top 40 stations to air black programming they rarely carried.

Those were the seeds of Westwood One. In the early days, Pattiz worked out of a house in L.A.'s Westwood section (hence, the company name). The first years were rough. Radio stations were not used to running special programming; national advertisers wanted only

the most powerful stations. When L.A. deejay Humble Harve asked Pattiz to syndicate his *National Album Countdown* program, Pattiz, in need of money, agreed. But out of that show came the concept for *Star Trak*, a 90-second music-news feature that was Westwood One's first regularly scheduled show. From that, Pattiz spun off a similar feature for black stations called *Shootin' the Breeze*. Later, the *Dr. Demento Show* and other programs were added, including *Off The Record with Mary Turner*, a star interview show hosted by L.A.'s onetime KMET-FM jock and the third Mrs. Pattiz.

"The first four or five years were a struggle," Pattiz says. "Every dollar we made went into the next project—and every project needed to be successful to fund the next." There

were few unsuccessful shows. Pattiz learned that only a few concepts worked, and he began developing shows around them: countdown programs, concerts, interview specials and lifestyle features.

By 1980, Westwood One recorded a \$2 million year. It was producing six shows and working with 400 affiliates. The FCC had deregulated radio, lifting rules requiring stations to run news and public affairs shows, and entertainment pro-

The Pattiz Treatment

Bloated with costs and plagued with morale problems, Mutual Broadcasting System's radio division two years ago was a second-level player run by a company that provided little direction. In the seven years that Amway Corp., the giant direct sales company, owned Mutual, it never turned a profit. In 1984, the network suffered what executive vice president of news and sports Ron Nessen calls a "spasmodic decapitation of its executive level." President Martin Rubenstein, whose self-promoting style clashed with staff and management, was let go, as were news chief Tom O'Brien and vice president for sales Jerry Wallace.

Mutual did not, on the surface, look like a smart acquisition. When Norm Pattiz bought it in December '85, Mutual had lost more than \$13 million in the three preceding years. Conventional wisdom was that he'd bought a bleeding dog, worth nowhere near the more than \$30 million laid out for it. "In the industry's mind, Mutual was 'good ole' Mutual,'" says 58-year-old copresident Jack Clements, who's been with Mutual for 13 years. "They said, 'Ho ho ho. Pattiz really got taken to the cleaners.'"



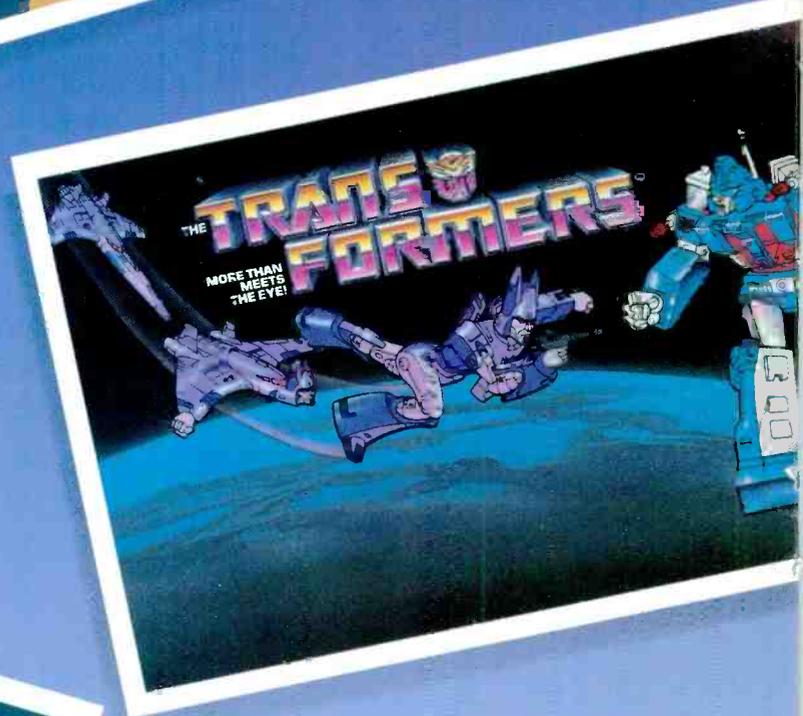
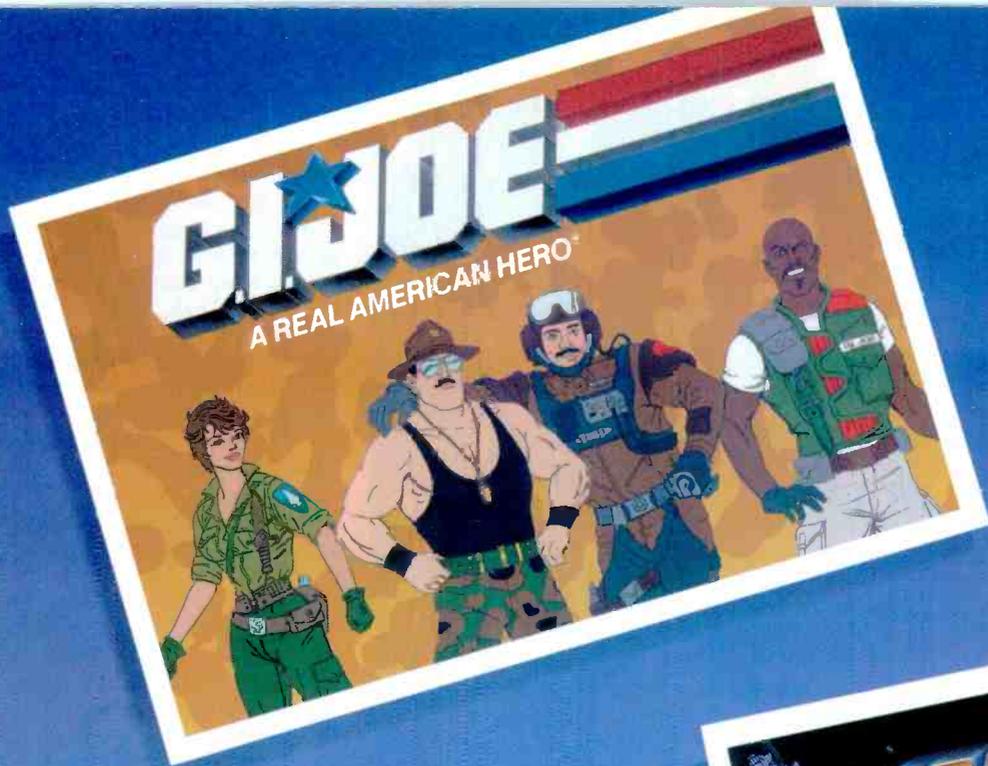
Mutual's ace: Larry King

But Pattiz has had the last laugh. He pared down Mutual's staff and streamlined operations by consolidating entertainment-program production with Westwood One's. He moved the six-hour *Larry King Show* from midnight to 11 P.M., an hour that is metered and that advertisers find more palatable; he added on-air therapist Toni Grant to the Mutual roster and stepped up Rona Barrett's involvement; he upgraded affiliates and combined Westwood and Mutual sales efforts, selling ad packages and raising rates as much as 50 percent. Last year, Mutual turned a profit, contributing between \$3 million and \$8 million to the company,

according to Westwood One president Bill Battison.

This month, Westwood launched "Mutual P.M.," a six-hour package aired 4 P.M. to 9 P.M. Pacific time, which includes hourly newscasts, and Toni Grant from Los Angeles, and Larry King from Washington. Mutual P.M. may also prove to be smart marketing: It groups the best of Mutual and sells the cumulative audience to advertisers.

All of which makes people at Mutual happy: "This has given me a second wind and forced me to examine the new realities of networking," says Clements. C.C.

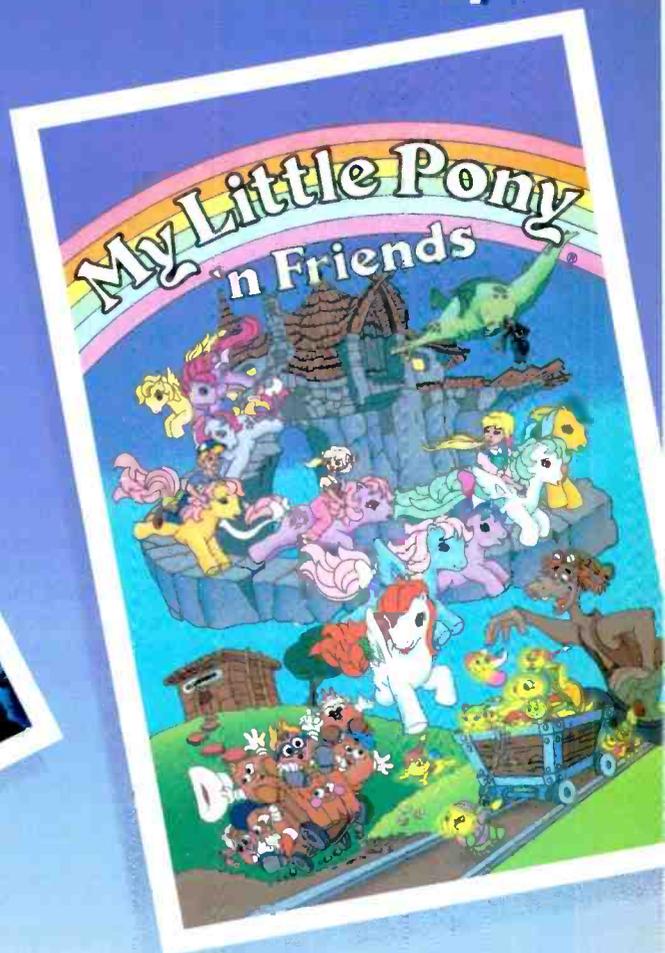
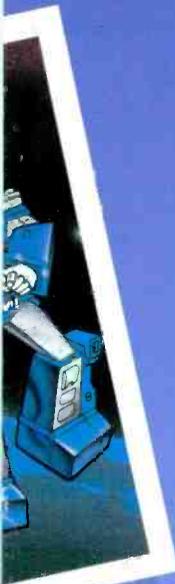


*Source: Nielsen Television Index,
February 1987

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FEBRUARY WAS A HOT MONTH FOR CLASTER AND SUNBOW!

Our ratings sizzled with four of the top five kids' shows in syndication...
And we're just getting warmed up!*



*Next Fall, Look for a New Weekend Winner...
VISIONARIES™*



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gramming was hot. The traditional networks, in need of non-news programming, looked first to independent producers to supply them. But Westwood One wanted nothing to do with them. "We recognized from the beginning that in radio, distribution was key," Pattiz says.

Other syndicators felt differently, and with the traditional networks' entrance into the syndication marketplace came higher ad rates. Companies like DIR, which began to produce exclusively for ABC, passed along their costs to the networks and built in significant profit margins for themselves. The networks then turned around and sold the programs at rates that covered their costs and also provided profit. Westwood One was suddenly in a market where its production costs were unchanged, but ad rates had soared. It also began to build a tape library (from which 80 percent of its "new" programming is produced today). It could undercut the networks and still dramatically increase profit. In two years, Westwood One was producing 20 regular programs and pulling in revenues of \$7.2 million. The company bought the first of its two buildings in Culver City, and Pattiz began to accept the fact that his business was on solid footing.

That was also the year that Westwood finally got the attention of the traditional radio networks by convincing Coca-Cola to put its youth-oriented radio-network advertising budget, which totaled about \$500,000, into Westwood programs. "Before that, network salesmen wouldn't even write us down on their competitive reports," says Pattiz. "Then all of a sudden we were invited to join the board of the Radio Network Association, which we had applied

for the year before and never even got a return phone call."

But by 1984, the company had peaked in the entertainment programming business, according to industry observers. With a fixed number of ad spots, Westwood was looking for ways to increase inventory and sponsors. One approach was to move away from long-term and sole sponsorship of its shows; another was to acquire a network.

So Pattiz and Levine began to develop a strategy to take the company public. When selling Westwood One to the financial community, the pair positioned it as a supplier of software—much like computer software companies that were, at the time, the rage on Wall Street. Levine chose Hambrecht & Quist, the small, technology-oriented San Francisco financial house, as underwriters for the \$16.6 million initial public offering in April 1984. It went off without a hitch. Pattiz retained 54.8 percent of the stock; Levine, 6.1 percent. In July 1985, an additional \$40 million was raised for the more-than-\$30-million acquisition of Mutual. (In February '86, Westwood One Inc. stock split and a \$56 million offering followed in May 1986. Last February, Westwood stock split again, three for two. With about 13.5 percent of Westwood, Pattiz retains voting control with 97 percent of Class B stock.)

In one swoop, Westwood increased its commercial inventory from 24,000 to 80,000 units with the purchase of Mutual. Though cynics scoffed at his ability to run a news network and speculated that he paid too much for Mutual, Pattiz has taken a virtual hands-off approach, leav-



Pattiz' wife No. 3: Mary Turner

ing operations to copresidents Arthur Kriemelman and Jack Clements, and to Ron Nessen, vice president of news and sports. (See box.)

Now the industry is wondering how to read Westwood One's purchase last January of trade publication *Radio & Records*. Some think Westwood paid twice *R&R*'s worth, but the acquisition was critical and solidifies Westwood's position between the radio and records businesses.

In addition, two *R&R* staffers, Joel Denver and Walt Love, produce programs for Westwood One. It was important that *R&R* not fall into a competitor's hands.

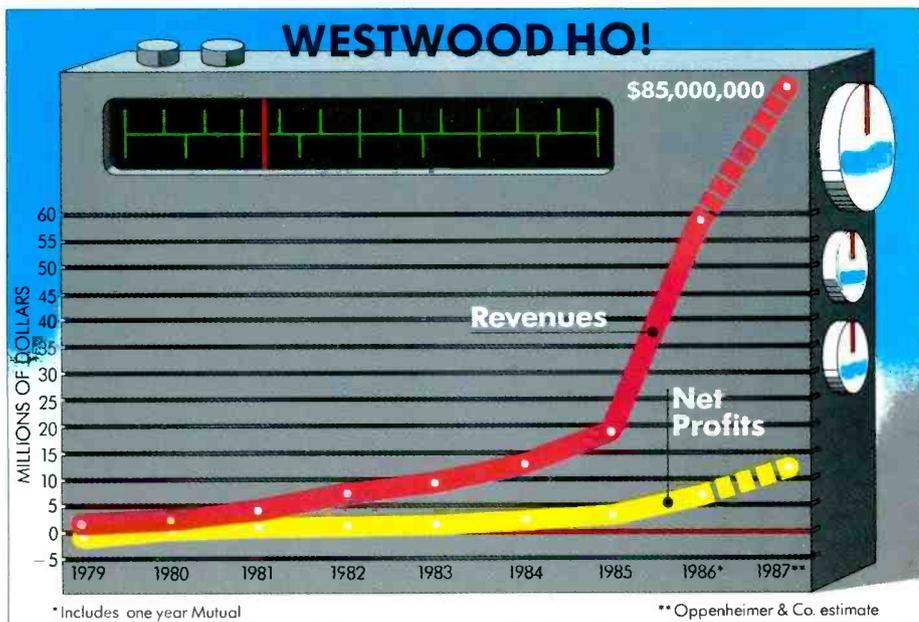
There are plenty in radio who aren't happy about Pattiz's acquisition of *R&R*, calling it a conflict of interest. (According to Pattiz, only 20 percent of *R&R* revenues come from other networks and syndication companies. Others claim that number is as high as 40 percent.) Competitors have threatened to pull their ads, but Pattiz seems undaunted: "Anything we do to change *R&R* from the highly respected publication that it is makes the enterprise worth less money."

The *R&R* purchase signifies Pattiz's interest in moving Westwood One into other areas. It could, for example, be a springboard into the consumer press, he says. And though he's noncommittal, the possibility of Westwood someday owning radio stations and moving into video and television production has been discussed.

For now, Pattiz has to figure out how to spend the \$100 million raised in October. NBC is not crazy about selling to Pattiz ("They think he's too show biz," says one analyst) and there's still talk that NBC will revive plans to merge radio holdings with Group W.

At worst, Westwood could acquire smaller competitors, deals that would provide neither the punch nor the inventory of an NBC. At present, there's no rush to do anything. "Realistically, they can hang on to the cash for about three years," says Earl Hamlin, senior analyst at Hambrecht & Quist, who expects program expansion and ventures into international markets to drive earnings.

In the meantime, Pattiz is basking in his success. "One night," says Pattiz, driving in his limo, "I was sitting in the screening room in my big home with a beautiful wife and the lights go down and the projector starts and all of a sudden *Out of Africa* comes on. And I thought, 'I must be rich. This must be what it's like to be rich.'"



Who's Number One?



In June, *Channels* will feature its annual financial guide on the media, the only comprehensive survey of its kind for the television professional. The *Channels Achievers* issue ranks America's top media companies and includes special sections on the hot performers in broadcasting, production and cable. Every June, 30,000 industry executives look forward to the *Achievers* guide, saving it as a handy reference all year. You'll be Number One with this audience with a position in *Channels Achievers*. Space closing May 15, 1987. Call Joel A. Berger, Associate Publisher, for more information (212) 302-2680.

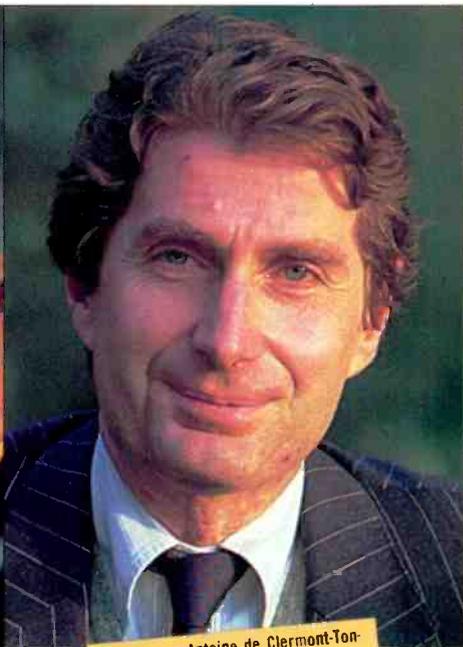
CHANNELS We Give You The Business
THE BUSINESS OF COMMUNICATIONS



Belgian Albert Frere is a financier turned media mogul



Australian Alan Bond owns media properties on three continents



Frenchman Antoine de Clermont-Tonnerre wants TV/publishing mix

LEFT TO RIGHT: PHOTO NEWS/LIAISON; TENIN/LIAISON; L. MAOUS/LIAISON

The Empire B

Five years ago in Europe, only Great Britain and Italy had private television. Now suddenly, across the span of the continent, highly regulated, state-run television is giving way in fits and starts to private enterprisers who alone or in concert with others are cranking up a wide variety of programming services.

West Germany has discovered 70 local television frequencies and the government is beginning to license new private channels. The French are selling one of the three state-owned networks to private interests and last year authorized two other private competitors to the state networks. In Belgium, the government has authorized French-speaking and Flemish-speaking ad-supported networks, while the governments of Finland and Denmark have decided to share operations of their state channels with private investors. Portugal is also getting its first commercial channel, owned by the Roman Catholic church, and Spain and The Netherlands are likely to have their own national private channels by 1990.

The opportunities all this activity presents for American program producers are vast. With estimated revenues of \$500 million last year from exported programs, American producers are already the predominant dis-

tributors of TV programming to the world at large. But that number may only be a pittance in light of the coming flood. One study estimates that if every channel and satellite service planned in Europe comes to fruition, by 1990 there will be an annual need for 500,000 hours of programming to fill them.

Already, executives at Lorimar-Telepictures put the growth of foreign markets at 25 percent per year. Lorimar-Telepictures' international division is expected to become the company's largest single profit center in 1987, a result not only of the variety of new outlets abroad but of increased competition for American programming among the new and old outlets. The company estimates that program prices in France have escalated by 100 percent or more since the launch of the first commercial networks there.

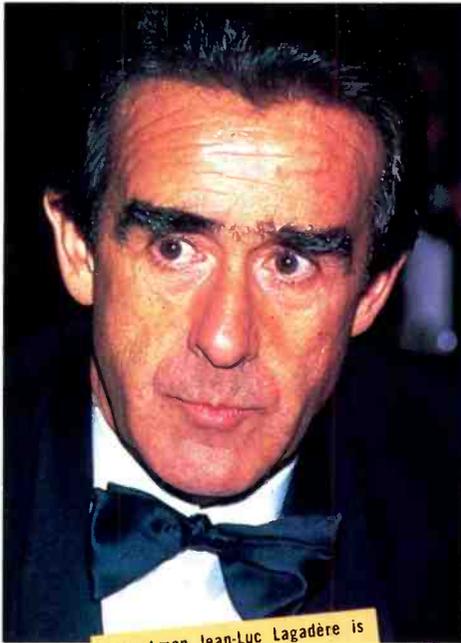
All of this will come with substantial risk, though precious little of it will be shared by American producers. For the most part, it will be borne by the Empire Builders profiled in these pages, ranging from German production mogul Leo Kirch and French publishers Antoine de Clermont-Tonnerre and Jean-Luc Lagardère to steel-baron-turned-media-mogul Albert Frere of Brussels.

For one thing, control of the nascent media still rests in the hands of governments. And debates within those gov-

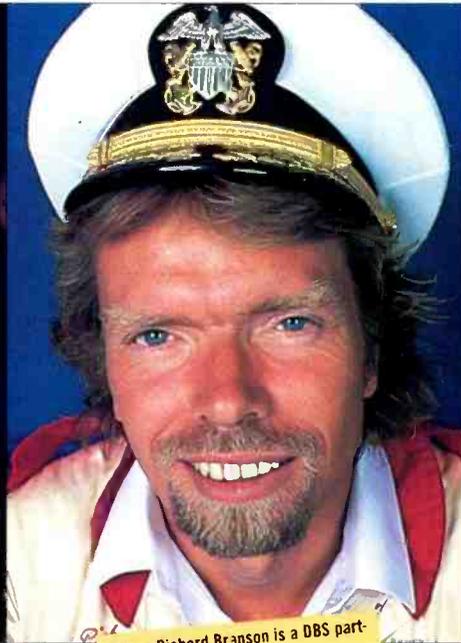


Canadian André Chagnon, Quebec's cable king, is moving into France

CANAPRESS PHOTO SERVICE



Frenchman Jean-Luc Lagadère is vying for a piece of TF-1



Briton Richard Branson is a DBS partner and program producer



Frenchman Robert Hersant is a new La Cinq channel partner

wilders

They're creating a new order in world TV and a wide-open market for American programmers—but it won't last forever.

ernments, as in West Germany, or changes in their political fortunes, as in France, can stall or bring about a change of direction in national media policy. In Germany, where advertisers wait up to a year to advertise in the limited commercial time available on the state-run channels, hopes for ad-supported private television have been high. But they have been frustrated by \$400 cable-installation fees and by the traditional German dislike of television commercials. TV ads on the state-run channels are confined to an early-evening ghetto and prohibited outright on Sundays and holidays. One German state has even banned Sat 1, the country's first attempt at national commercial TV, to express its disapproval of the channel's ads. Rupert Murdoch is forbidden from advertising in Dutch, in the market where his Sky Channel is most widely seen, because Holland insisted as part of his initial cable-carriage agreement that he not compete with Dutch-language ads on the country's own commercial channels.

Given the lineup of newspaper and magazine publishers across Europe who are participating in the privatization of television, covering themselves for the day when their franchise on advertising revenues is threatened, it's a safe bet that most of these restrictions on advertising will eventually fall. And when they do, it will be a bonanza for those in control. France, for example,

ranked fourth in the world as an industrial power, ranks only 15th in advertising expenditures for all media, and represents one of the major growth opportunities in the world.

The expansion of the foreign market, however, could signal the end of U.S. domination of program exports. Once the new foreign services become profitable, they will have the resources to create their own shows, and their reliance on cheap American programming may diminish. Given the fear of American cultural imperialism around the globe, they are likely to follow in the footsteps of India and Brazil, where commercial TV has nurtured a thriving local production community.

Until that happens though, the demand for U.S. television shows is bound to grow. And so is resentment of them. The director general of Radio-TV Luxembourg, Gust Graas, has even gone so far as to propose a pan-European game show, using international celebrities as contestants, that would be based on colored shapes rather than words. In combination with a lottery for viewers, the show would raise millions of dollars to spur European TV productions and limit the need for Yankee programs. Thus, even as European television gropes for its own identity, its leaders are at pains to dissociate themselves from the more commercial aspects of the American model.

—PETER AINSLIE



German Leo Kirch's Beta-Taurus Films is a leading TV programmer

Who's Who in World TV

From Australia to Canada, with layovers in Europe, a whirlwind tour of the powers that be in the booming world of international television.



Albert Frere, Belgium

The presence of Albert Frere of Brussels on the international media scene symbolizes an important trend: the reign of the financiers. Frere, 60, who established his fortune in the steel industry, has become an important figure in European banking in recent years by seizing control of several large holding companies, including

Belgium's Groupe Bruxelles Lambert. Groupe Bruxelles owns a 36 percent interest in America's Drexel Burnham Lambert, a major player in media takeovers, and through that association Frere has forged potent new contacts.

Last year, for instance, Frere and News Corp.'s Rupert Murdoch (a Drexel client) formed a joint venture to explore media investments. Frere has also jumped into the pan-European television field through holdings in companies that own major shares of Compagnie Luxembourgeoise de Télédiffusion and the Astra satellite that will be launched next year. Through these and other companies, Frere has a stake in all the bidders for new French and Flemish channels in Belgium.

Frere is a controversial figure in Europe, however, and many question the depth of his commitment to television. He built his family's nail business into a profitable steel empire by acquiring marketing rights to European manufacturers. Just before the bottom fell out of the steel industry in the late 1970s, Frere exited quickly at a profit. In 1981, he caused a furor in France by transferring assets of the Paribas bank out of the country, hampering the Socialists' efforts to nationalize the concern. With majority interests in television properties across Europe, Frere is positioned to make a similar killing in the media.



Alan Bond, Australia

Australian media magnates have never been a timid breed, and Alan Bond of Perth has reached their ranks in true form. Bond, best known for winning the America's Cup for Australia in 1983, took the Australian media establishment by storm last January by buying out Australian publisher Kerry Packer's TV-9 Net-

work. Bond already owned two television stations and the Australian Sky Channel satellite service, and three weeks before

the TV-9 deal, he bought a majority share in Hong Kong's leading commercial station, TVB.

The son of a Welsh miner, Bond immigrated to Perth thirty years ago, rising to prominence as a land developer before diversifying into hotels, mining and ownership of the Swan brewery. Bond's swaggering style and lightning-fast acquisitions are typical of the nonbroadcasters moving onto the international media scene. In February, the Hong Kong stock exchange suspended trading in a Bond company after he conceded that he had overstated the value of its assets.

Once the TV-9 deal is approved by the Australian government, Bond will control four stations, giving him about 60 percent coverage of Australia. The deal also gives him six Australian radio stations, a 27 percent share of London's TV-AM, and television services in Fiji and Papua, New Guinea.



**Antoine de Clermont-Tonnerre,
Jean-Luc Lagardère, France**

Among the throng of magazine and newspaper publishers flocking to television in Europe are the Frenchmen Antoine de Clermont-Tonnerre and Jean-Luc Lagardère. Until now, publishing in Western Europe has remained relatively lucrative, largely because state broadcasting monopolies have given advertisers and viewers

few choices outside print. The advent of commercial television systems, however, will draw major advertisers into broadcasting and erode the revenues of the giant publishers, and many of them are scrambling to diversify.

Clermont-Tonnerre has followed a traditional path to power. A graduate of the elite Institute of Political Science, he held a series of important government posts before running the government film and television production company, Société Française de Production, from 1979 to 1981. When the Conservatives were defeated in 1981, Clermont-Tonnerre was named president of Editions Mondiales, a magazine and book publisher, which he quickly expanded by buying Ariane Films and upgrading the company's Revcom television production unit. Last year, Clermont-Tonnerre joined the Silvio Berlusconi-Robert Hersant venture in a bid for the La Cinq channel, but has since dropped out. Clermont-Tonnerre has kept up his ties to the Conservatives, and he will likely be an important player in any future deals for the French channels.

Lagardère, 59, is chairman of the Hachette Group, Europe's second-largest publisher and France's leading magazine group. Hachette owns a majority stake in the Europe 1 radio network

and also controls Matra, a defense and electronics concern that manufactures satellites and earth receivers. Hachette, in partnership with several foreign media companies, is one of two bidders for the French government channel TF-1, which is being privatized this spring. A competing bid has been mounted by a consortium that includes French construction magnate Francis Bouygues, the London Mirror's Robert Maxwell and others.



Robert Hersant, France

In the political soap opera that is now French TV policy, ideology counts the most. That's how publisher Robert Hersant became a leading contender for the television franchises that were doled out by the conservative Chirac government this spring. Hersant, 66, is a member of the French National Assembly and once served a sentence

for collaborating with the Nazis during World War II. His vast publishing empire includes two right-wing dailies in Paris, *Le Figaro* and *France-Soir*, as well as regional newspapers and radio stations that rigidly adhere to their owner's conservative views.

Hersant's influence in the French right made him an obvious choice for television franchises last year when the Conservatives began dismantling the concessions granted by the previous Socialist government. Last fall, Hersant was considered likely to win a bidding war against the Hachette Group for control of TF-1, the French state channel that is being privatized this year. Then, in January, Hersant was also named as one of the French partners the Conservatives will install at La Cinq to water down Italian Silvio Berlusconi's majority control.

It seems unlikely, however, that Hersant will win licenses for both stations. His intimacy with the far right and his control of regional publishing is bitterly resented by many in France. He

will probably emerge from the bidding process with one station, and expand from there through private companies that do not require government licenses. In 1985, for example, Hersant founded Television Europe, which is now producing programs and selling ad time for a variety of broadcasters in Europe.



Richard Branson, Great Britain

Richard Branson likes to move fast, whether he's racing his motorboat across the Atlantic or pushing his Virgin Group into the forefront of several industries at once. Branson, 36, founded Virgin Records in 1972 as a chain of second-hand record shops, and the company grew quickly into one of Britain's hottest labels after

signing up such stars as Boy George and Phil Collins. Today, the Virgin Group owns the transatlantic Virgin Airlines and plays a growing role in British television production.

Branson's television ventures grew directly out of his record interests. In 1983, with Granada Television and Yorkshire Television, Branson founded Music Box, which is modeled after America's MTV and broadcast via the Eutelsat satellite. After a disappointing performance, Music Box was folded into the new European-wide SuperChannel operated by the British ITV stations, under terms that give Branson 15 percent of the venture. Branson is also a major partner, along with Granada Television and Pearson Plc., in the consortium awarded a contract late last year for programming the new English-language direct broadcast satellite.

A separate Virgin division, Vision, produces series for British television and is active in home video production and distribution. Branson hopes to broaden his base further with direct investments in commercial channels and production companies in Europe and the United States.

Still Plugging Away

Even as this year's crop of international media entrepreneurs has emerged, the older, more established titans have by no means been idle. Most of the eight Empire Builders featured in *Channels* last year have substantially reorganized their holdings in recent months.

In France and Italy, new government restrictions on broadcast ownership have temporarily stalled the pan-European ambitions of **Silvio Berlusconi**. In February, the conservative Chirac government in France forced Berlusconi to reduce his majority control of the La Cinq commercial channel and share ownership with conservative publisher Robert Hersant. To meet new antitrust laws in Italy, Berlusconi sold one of his three networks, Rete-4, to Milan industrialist Calisto Tanzi, but this transfer was largely cosmetic since Berlusconi will continue to program the network and sell its ad time. Berlusconi faces another threat at home from **Roberto Marinho Sr.** of Brazil's *Rede Globo*, who last year bought the rights to the Italian channel of Tele Monte Carlo.

Meanwhile, government deregulation and several bold acquisitions have redrawn the television landscape in Australia. On January 15, **Rupert Murdoch** was the victor in a struggle to seize control of the Herald and Weekly Times group (HWT), but only after reaching an agreement with

rival bidder **Robert Holmes à Court**. In return for Holmes à Court's withdrawing his bid, Murdoch agreed to sell him HWT's newspapers in Perth. Murdoch also sold HWT's Melbourne television station to John Fairfax Ltd., and will sell his existing TV-10 stations in Melbourne and Sydney to Westfield Capital Corp. One week later **Kerry Packer** stunned the country by selling his TV-9 stations in Sydney and Melbourne to brewery magnate Alan Bond. The Bond and Fairfax groups, with four stations apiece, now have the makings of national network systems in Australia.

In the United States, Televisa's **Emilio Azcarraga** and Turner Broadcasting System's **Ted Turner** have both suffered major defeats. After a decade-long court battle and a Federal Communications Commission inquiry into financial irregularities at Televisa's American station group, the Spanish International Communications Corp. (SICC), Azcarraga was forced to sell SICC to Hallmark Cards. (*Channels*, January 1987.) And in January, Turner surrendered about 35 percent of his equity in TBS to cable industry investors and financier Kirk Kerkorian, reducing his share in the company to 51 percent. The reorganization infused new cash into TBS to meet debt payments incurred last year when Turner bought the MGM/UA studio.

—RINKER BUCK

EUROPEAN CHANNELS

GREAT BRITAIN

Channel	Owners	Household Reach (Estimated in millions)	Revenue Base
BBC 1, 2	Public broadcasters	20.5	license fees
ITV	13 regional, privately held stations	20.5	advertising
Channel 4	ITV stations	20.5	advertising
Sky Channel	News International	7.0 (Europe)	advertising
Arts Channel	W.H. Smith, TV South, Commercial Union, Equity & Law	0.06	advertising and subscription fees
Bravo	Cablevision U.K.	NA	advertising and subscription fees
Childrens' Channel	Thorn EMI, British Telecom, D.C. Thomson	0.09	advertising
Lifestyle	W.H. Smith, TV South, Yorkshire TV, D.C. Thomson	0.06	advertising
Music Box/ Super Channel	Virgin, Yorkshire TV, Granada TV	4.8 (Europe)	advertising
Premiere	Mirror Group, Columbia, 20th Cent. Fox, HBO, Showtime	0.04	Pay TV
Screen Sport	W.H. Smith, ESPN, ABC, NBC, 3 ITV stations	0.08	advertising and subscription fees

FRANCE

Channel	Owners	Household Reach (Estimated in millions)	Revenue Base
A2, FR3	State broadcasters	18.00	license fees and advertising
TF1	State (to become private spring 1987)	18.00	license fees and advertising
Canal Plus	Havas, Generale des Eaux, L'Oreal, Perrier Granada, Societe General	1.4	Pay TV
La Cinq	Silvio Berlusconi, Jerome Seydoux, Robert Hersant	15.00	advertising
TV5	State broadcasters of France, Belgium and Switzerland	3.5	publicly funded

WEST GERMANY

Channel	Owners	Household Reach (Estimated in millions)	Revenue Base
ARD, ZDF	State broadcasters	23.1	license fees and advertising
Sat 1	PKK consortium	1.6	advertising
RTL Plus	Compagnie Luxembourgeoise Television, Bertelsmann	1.4	advertising
3Sat	State broadcasters of Germany, Austria and Switzerland	2.0	public funds and advertising
Einz Plus	State broadcasting (ARD)	1.1	publicly funded
Music Box	Concorde Film, Wolfgang Fischer	1.0	advertising

ITALY

Channel	Owners	Household Reach (Estimated in millions)	Revenue Base
RAI 1,2,3	State broadcasters	17.5	license fees and advertising
Italia 1	Silvio Berlusconi	16.0	advertising
Canale 5	Silvio Berlusconi	16.0	advertising
Rete 4	Calisto Tanzi	13.0	advertising
Tele Monte Carlo	TV Globo (Roberto Marinho Sr.)	10.5	advertising

BELGIUM

Channel	Owners	Household Reach (Estimated in millions)	Revenue Base
RTBF (French)	State broadcasters	3.2	license fees
BRT (Flemish)	State broadcasters	3.2	license fees

NETHERLANDS

Channel	Owners	Household Reach (Estimated in millions)	Revenue Base
Netherland 1,2	State broadcasters	4.9	license fees and advertising
Filmnet/ATN	Esselte (Swedish publishers), VNU/ATN (Dutch publishers) and United International Pictures (Paramount, Universal, MGM)	.06	Pay TV

LUXEMBOURG

Channel	Owners	Household Reach (Estimated in millions)	Revenue Base
Radio-Television Luxembourg	Compagnie Luxembourgeoise Television (Audiofina, Paribas, Schlumberger, Rothschild, Moet Hennessy)	2.2	advertising

SPAIN

Channel	Owners	Household Reach (Estimated in millions)	Revenue Base
TV 1,2	State broadcasters	9.9	advertising
ETB (Basque)	Public broadcaster	3.2	advertising
TV3 (Catalan)	Public broadcaster	6.0	advertising



André Chagnon, Canada

At 59 years old, Andre Chagnon is one of the most powerful television executives in Canada, controlling 62 percent of Le Groupe Vidéotron Ltée., Quebec's largest and Canada's second-largest cable company. With almost 850,000 subscribers in Quebec and Alberta, Chagnon has a solid base for the interactive home shopping services he has pioneered, which allow Montrealers to preview and book everything from vacations to local theater and opera tickets. Chagnon also owns successful basic channels that specialize in children's and sports programming. Early this year, Chagnon spent \$134 million to purchase Montreal's number one-rated TV station, CFTM-10, which produces 120 hours of news, sports, soaps and variety shows weekly.

Now Chagnon has gone international, purchasing 10 percent of France's La Compagnie de Video Communications Télé-Service (CGVT), which is in the process of wiring 35 French cities for cable. He has also purchased 3 percent of the French channel, La Cinq, hoping to create a market for Canadian-produced French programming in Europe. It has always been difficult, in spite of the shared language, to sell French-Canadian programs in France, and French-produced programs in Quebec. Chagnon believes that by using French stars who are popular in both locales, he can overcome the resistance to imported programs.

Chagnon is a low-profile millionaire who appears not to have forgotten his less-glamorous beginnings as an electrical contractor. "Fame is not important to me," he says. "What is important is my family and the challenge and excitement of my business."

Chagnon is a low-profile millionaire who appears not to have forgotten his less-glamorous beginnings as an electrical contractor. "Fame is not important to me," he says. "What is important is my family and the challenge and excitement of my business."



Leo Kirch, Germany

Leo Kirch is one of Europe's most powerful yet least-known television entrepreneurs. Kirch, 60, a visionary, reclusive film mogul, is rarely seen in public and never grants interviews. But over the past 20 years he has built his Beta-Taurus Films into one of Europe's largest distributors of TV programs and motion pictures, parlaying that position into a major role in European television.

Kirch began his career by buying the foreign rights for Federico Fellini's *La Strada*. The success of that title overseas convinced him of the vast potential for worldwide distribution of films, and he gradually secured foreign-rights deals with most of the major studios in the U.S. and Europe. Kirch's first two companies, Unitel and Sirius, concentrated on cultural fare such as episodes of the *Great Performances* series seen on American PBS.

Beta-Taurus studios in Munich are major programmers for the government channels in Germany and Austria. In 1985, Kirch began selling TV series and films to the new Sat 1 private channel in Germany, putting him in the profitable but controversial position of supplying both the state and commercial television systems. Kirch, a major shareholder in the Springer publishing house, also owns a theater chain in Germany and is expanding Beta-Taurus into home video production. Last year Kirch joined Italy's Silvio Berlusconi and London's Robert Maxwell in forming the European Television Consortium, a pan-European distribution company.

Reported by Jonathan Weber/Paris and Valerie Marchant/Montreal

Germany *Nein*, Luxembourg *Oui*

The most heated contests in Europe over commercial television so far have been in Italy and France, but many observers expect the focus to shift this year to Germany and Luxembourg. They share a common border and language, but have pursued different policies toward television, representing distinct models of the emerging European industry.

In prosperous **West Germany**, Europe's largest media market, the debate over commercial TV is fractured along political lines. In 1984 Helmut Kohl's conservative Christian Democrats ordered the German postal service to begin cabling the country, opening the door for the introduction of two ad-supported networks, Sat 1 and RTL Plus. The liberal Social Democrats began a campaign to thwart the new networks—with all their overtones of commercial profit and American-style programming—and protect the franchise of state broadcasters ARD and ZDF.

As a result, German TV is stalled in bureaucratic gridlock. The postal service's cabling has been painfully slow, and because broadcast policy in Germany is established separately by 11 states, the commercial channels have been blocked in many regions by local restrictions on program and advertising content.

None of this bodes well for TV-Sat, the German direct broadcast satellite scheduled for launch this summer. To satisfy everyone, the government has divided the satellite's four transponders equally among commercial and public channels, but ongoing political squabbles could indefinitely delay the DBS service.

By contrast, tiny **Luxembourg** has embraced the changes sweeping through Europe, viewing the continent as a vast export market ripe for picking. The Grand Duchy is the home of Radio-Television Luxembourg (RTL), traditionally an important force in European broadcasting with an over-the-border audience of almost 20 million households in Belgium, Germany and France. RTL's parent company, Compagnie Luxembourgeoise de Telediffusion (CLT), is the country's largest taxpayer.

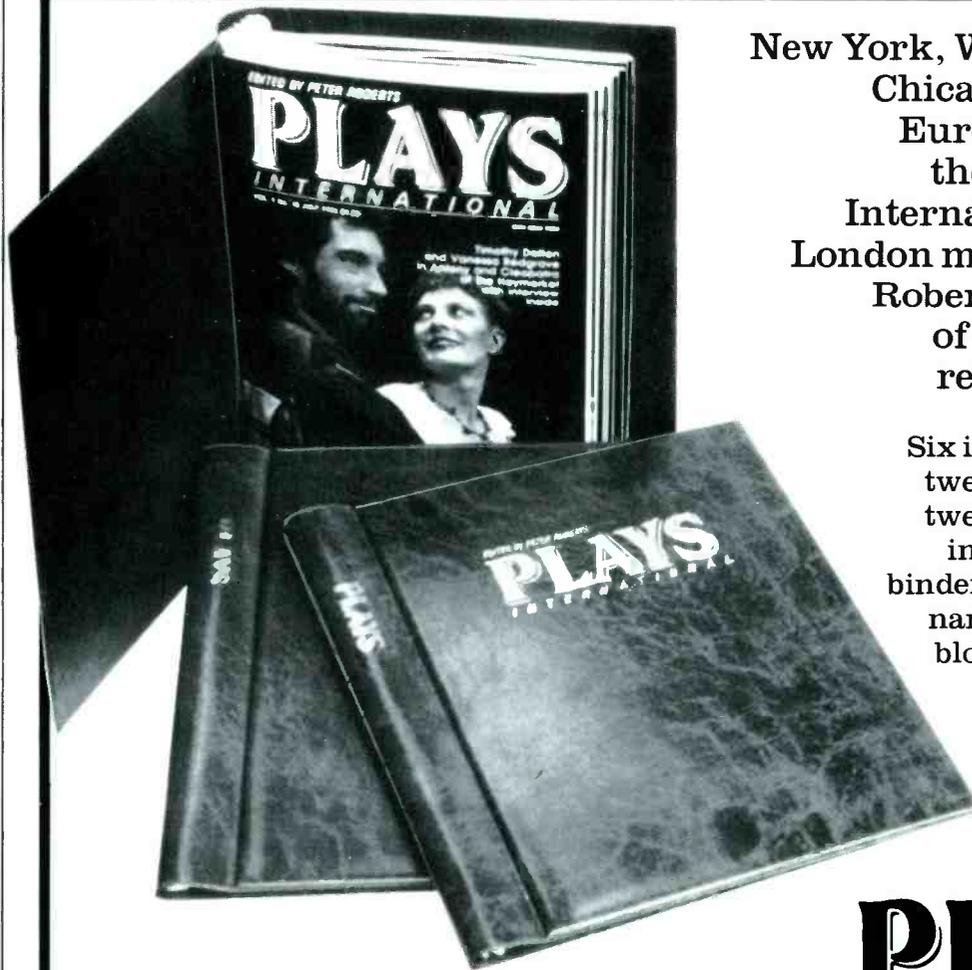
Now Luxembourg is expanding along two fronts. First, CLT is investing in new channels through partnerships. Groupe Bruxelles Lambert, for instance, a CLT partner, is a contender for new commercial channels in Belgium and France. Germany's new RTL Plus is a joint venture of CLT and Bertelsmann, the German publisher.

The government of Luxembourg also hopes to beat the rest of Europe into the DBS business with the formation of its Société Européenne des Satellites (SES). In 1988 SES plans to launch its new medium-power Astra satellite, which will carry 16 channels capable of reaching virtually any subscriber in Europe willing to spend \$500 for a small receiver. Astra will compete directly with the government DBS systems planned by Britain, Germany and France.

Beating all of Europe into space may sound like a tall order. But Luxembourg's broadcast audience is already quite large, and its devotion to pan-European television gives it an edge over more politically divided neighbors.

—RINKER BUCK

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Hal Holbrook as a gay dad in
That Certain Summer.



That Certain Subject

Prime time's most acclaimed debut show this season, *L.A. Law*, has turned out to be only a smidgen about Los Angeles, the new melting pot, and a little more about the practice of law, but a great deal about one of TV's favorite subjects, sex. L.A. being L.A. and, more to the point, TV being TV, most of this sex has been extramarital and relatively casual, presumably because that is what viewers find most titillating. Nearly all these encounters have also been, it goes without saying, heterosexual. But two early story lines depicted the love that, in Hollywood, still dare not speak its name, at least not very often: homosexuality.

In a way it's odd that gay story lines should be an oddity. TV is, after all, a business of demographics, of defining and pursuing markets. Researchers estimate that 10 percent of Americans may be homosexual. If one adds bisexuals and

.....
Contributing editor William A. Henry III is drama critic for *Time* magazine.

Fifteen years after the first prime time drama about gays, TV still treats homosexuals as an invisible minority.

by William A. Henry III

.....
those who have had homosexual experiences, the total is perhaps a third of the population—a far bigger minority than blacks but a generally invisible one on network TV. In the 15 years since *That Certain Summer* opened the closet door, only a handful of gay-oriented stories have emerged, and networks remain skittish about how to handle them.

In the two-hour start of *L.A. Law*, the

funeral of a straight-seeming, married attorney was stirred by the arrival of a stately and attractive mystery woman. "She" turned out to be a "he" by birth, a transsexual whom the dear departed had been keeping for years, since they met in a gay bar. The firm's partners greeted this story with stoic but not disapproving silence. Only the character already marked as a pompous ass wanted to contest the will. The show's other gay story line took a highly sympathetic view of a man put on trial for the mercy killing of his male lover, who was dying of AIDS.

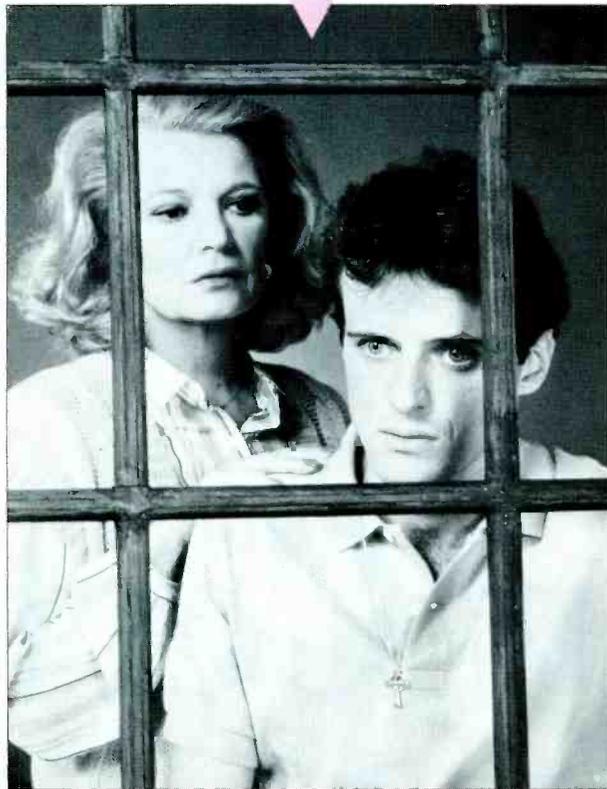
None of these episodes caused the roof to fall in on the series. But television is also a business devoted to maximizing audiences and minimizing controversy, unless the controversy can be manipulated to goose the ratings. And so the homosexual subculture—familiar to many programming executives and a personal way of life for some—remains largely uncharted territory on screen.

Understandably enough, when TV does deal with gays it typically takes the point of view of straights struggling to understand. The central action is the

process of acceptance—not self-acceptance by the homosexual, but grief-stricken resignation to fate by his straight loved ones, who serve as surrogates for the audience. Homosexuality thus becomes not a mere fact of life, but a moral issue on which everyone in earshot is expected to voice some vehement opinion. Just as black characters were long expected to talk almost exclusively about being black, and handicapped characters (when seen at all) were expected to talk chiefly about their disabilities, so homosexual characters have been defined almost entirely by their “problem.” Whatever audiences thought of *That Certain Summer*, which had Hal Holbrook as a gay father pleading for his son’s tolerance, it went away after its two hours of filmed catharsis. Not for another half dozen years would any network risk a series with a homosexual character allowed to live on episode after episode until his (or her) sexuality gradually became just another personality trait.

The taboo was broken, briefly, in 1975 by *Hot l Baltimore*, adapted from Pulitzer Prize winner Lanford Wilson’s stage play about the denizens of a once grand hotel now gone to pot. The show had many commercial shortcomings, but when it flopped top executives at all three networks blamed the gay characters. Not long thereafter, word got out that ABC was contemplating a series about a male couple to be called *Adam and Yves*. Network executives denied the idea ever got beyond the semi-idle talking stage. But right-wing Christians and others were still sending indignant letters years after the notion had been dropped. Networks continued to make occasional TV movies and one-shot installments on dramatic series. The best during the 1970s was another piece about children and gay parents: *A Question of Love*, featuring Gena Rowlands and Jane Alexander as divorced lesbians in a plot based on an actual Texas child custody case. Brandon Stoddard, then in charge of ABC’s miniseries and specials and now its chief programmer, meticulously avoided any overt taking of sides. He wanted nothing to offer evidence of ABC’s sympathies—except, of course, the very fact that the network thought the issue important enough to dramatize.

The notion that homosexuals are a problem for society to debate was, under-



ABC was still getting letters of protest years after it dropped the idea for a series with two gay males.

standably, offensive to gay activists. Various groups, notably the National Gay Task Force, have lobbied with some success to disassociate homosexuality per se from transvestism, child molestation and sadomasochism. By the early 1980s, a big breakthrough came: a highly sympathetic homosexual title character, played by a recognizable star, Tony Randall, in a prime time network series. The only hitch was, NBC would not acknowledge that the title character of *Love, Sidney* was in fact gay—at least not until midway through the second season, when the show was clearly on its way out due to low ratings. Although eventually the series allowed him some confessional scenes, Sidney never had a boyfriend or even a social life among other aging gay men: He was a homosexual without a context.

An Early Frost: Gina Rowlands is stunned upon finding that her son, Aidan Quinn, has AIDS.

At about the same time that *Love, Sidney* was playing, emphasis in TV movies shifted from gay parents to gay children. ABC’s *Consenting Adult*, adapted from the late Laura Z. Hobson’s semi-autobiographical novel, was typical: It took the point of view of a horrified father and a slowly reconciling mother, gender differences that may be classic behavior patterns but that fast became dramaturgic clichés. A son’s admission of homosexuality was also a central tragedy for parents on ABC’s *Dynasty*. Steven Carrington slowly transformed from self-indulgent bisexual to principled gay. Twice he grew attached to companions who were killed. Last season, for a third time, he began to bond with a lover but the relationship was aborted before it ever became sexual—in large part because ABC wanted neither to ignore AIDS nor to describe the specifics of “safe sex.”

Little on television has dealt with daughters’ proclamations of homosexual identity, perhaps because it seems to some inherently less dramatic than the same statement from a son, who is expected to perpetuate the family name. (Indeed, virtually the only recent lesbian story has been Mariette Hartley’s depiction of a widow discovering another side of her nature in *My Two Loves*.)

A father’s agony at his son’s revelations was a central theme of two splendid made-for-TV movies last season, almost certainly the best television has ever done on the subject: NBC’s *An Early Frost*, which the network promoted as a problem drama about AIDS and which copped four Emmy awards (out of 14 nominations), and CBS’s *Welcome Home, Bobby*, which went largely unnoticed and unacclaimed because, in the shared phrase of a key creator and a key CBS executive, the network “all but buried” the show for fear of how to handle its touchy material—the search for sexual identity of a suburban Chicago high-school boy, barely at the age of consent.

Welcome Home, Bobby lost any real chance of achieving the impact it deserved from the moment it was scheduled on a Saturday night, the lowest-rated prime time slot of the week and one particularly inappropriate to a heavy family drama. Young and middle-aged adults are typically in a celebratory mood, and in any case are not all that

numerous among Saturday viewers—the crowd then is disproportionately made up of retired people, kids and baby-sitters. In support of this odd timing, CBS provided a modicum of print advertising and on-air promotion. Most, however, was tasteful to the point of obscurity. The longest commercials opened with the lead character walking with a girlfriend. His affectionate mother appeared in a snippet saying she did not blame him for what he had done—but she did not specify what it was. His father blazed across the screen saying that in their family, men were men; Bobby was to abide by that or leave. The closest the excerpts came to the substance of the show was a glimpse of Bobby's kid brother asking, "Are you gay?" to which Bobby replied, "I don't know." Just what was at issue? Did Bobby want to play the piano? Dance in a ballet? Hang out with a questionable friend? Ponder his preferences the way most kids do?

The network did not plug the show through interviews on its morning or Sunday news programs. Although some cassettes were sent out, prominent critics report that the network made no special effort to call their attention to the show. There were certainly selling points among the creative team: the producers, Herbert Brodtkin and Robert "Buzz" Berger, numbered between them such credits as *Skokie* and *Holocaust*, and director Herbert Wise's work included *I, Claudius*. A network spokesman insists that CBS did everything normally done for a special and dismisses the complaints as the normal bellyaching of creators whose show was ranked 55th among the 68 prime time entries for its week. Coproducer Berger astringently concurs:

"CBS did everything that you would expect a network to do to promote a show—but without much enthusiasm. Some people in programming were visibly uncomfortable with the material—it made them squeamish. CBS considers its constituency to be more small town and middle class, less young and urban, than the audiences for ABC and NBC. You could tell they were thinking that if this bothered their executives, it might outrage that core CBS audience."

An Early Frost was also set in part in Chicago, albeit among somewhat more prosperous people—the message being that homosexuality exists even in the heartland. From the start NBC treated the show as a major undertaking. It publicized the casting, including Ben Gazzara



When TV does deal with homosexuality, it takes the point of view of straights, struggling to understand it.

as the appalled father, Gena Rowlands as the accepting mother and the young idol Aiden Quinn as the stricken son, a thirty-ish attorney. NBC distributed cassettes widely and set up discussions among people involved in the AIDS epidemic. The movie, although aired on Monday, a low-viewing night, ranked sixth for the week ending November 17, 1985. And instead of being withheld for the customary 18 months, it reappeared in April.

The reason *An Early Frost* did not spook NBC, according to network sources, was that the central character had long since passed the age of consent and left home. His parents, and by extension those in the audience facing similar tribulation or fearing it, could more easily absolve themselves of guilt over his behavior.

Welcome Home, Bobby: Tony Lo Bianco learns his son, Timothy Williams, is homosexual.

Despite the acclaim for *An Early Frost*, spokesmen for all three networks say there are no upcoming TV movies or continuing series that will center on homosexual themes. Outside of prime time, homosexuality remains largely unconsidered. Children's shows of course never acknowledge that such a way of living exists, although many adult homosexuals report having been aware of their specific sexual identity by age four or five. Daytime drama has touched only rarely on homosexuality because Procter & Gamble and similar underwriters insist on avoiding association with controversy. Said one NBC spokesman: "If any such themes are proposed, they are routinely shot down." But *All My Children* did feature a lesbian story line enacted by Donna Pescow, a familiar face from her role in the film *Saturday Night Fever* and her series *Angie*. She played a psychologist who, when a patient became overly attached to her, attempted to warn the girl off by revealing her preferences. Emphasizes a nervous ABC official: "This was all done in very good taste, of course."

In contrast, cable's Showtime network has unapologetically handled risky material: *As Is*, a Broadway drama featuring unashamed discussion of promiscuity, and *Brothers*, a comedy series centered on siblings, one gay, two straight. Episodes have touched on the sensitive question of role models for children and have unabashedly introduced effeminate characters who are ultimately treated with dignity.

Collectively these shows have almost certainly enhanced public understanding and mutual tolerance. Of course in crass commercial terms, they have been less than blockbusters. Except for *Dynasty*, on which Steven is a secondary character, none has topped the ratings charts, although a few, notably *An Early Frost*, have performed well. In terms of emotional impact, none other than *Bobby* has shown much potential to prompt families to deal with questions of sexual identity openly and early, before patterns of isolation and mistrust are set. All of them, however, have implicitly carried the message that Anita Bryant and her spiritual heirs least want to hear: Candor is better than concealment; keeping homosexuality under wraps ultimately diminishes the family and society rather than preserving them.

Issues of the Information Age:

The paradox of power.

The Information Age, for all its potential, has brought with it a new kind of problem. Often, the machines that contribute so much to the flood of information do little to help most of us cope with it. They are difficult to use, rigid in their demands, almost arrogant in their inability to work with any but their own kind. They are the muscle-bound tools of specialists.

In our view, the problem is not that the machines are too powerful for the rest of us. They are not powerful enough.

This is the paradox of power: the more powerful the machine, the less power it exerts over the person using it. We define a more powerful machine as one that is more capable of bending to the will of humans, rather than having humans bend to its will. The definition is deeply ingrained in AT&T. The telephone is such a powerful device precisely because it demands so little of its user.

AT&T foresees the day when the Information Age will become universal. People everywhere will participate in a worldwide Telecommunity. They will be able to handle information in any form—conversation, data, images, text—as easily as they now make a phone call.



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That day is coming closer. One example: scientists at AT&T Bell Laboratories are developing “associative” memories for computers, further enabling the machines to work with incomplete, imprecise, or even contradictory information. That’s perfectly natural for a human. What makes it a breakthrough is that these computers won’t ask you to be anything else.

Telecommunity is our goal.
Technology is our means.

We are committed to leading the way.



A Change of Hands

Naming the major broadcast owners once took as much thought as counting to 10. No longer. The ownership question must be posed anew.

The flip but not inaccurate answer is that Wall Street owns broadcasting. And the debt and equity deals it smiled on to forward the ambitions of station buyers in 1986 have rearranged a long-stable landscape.

What broadcast architect would ever have thought to delete such venerable stalwarts as Gulf, Taft, Golden West, Metromedia or the Evening News Association? Yet all are either gone or fundamentally altered. The networks themselves are transformed. And leaping into key positions are young and ambitious Fox Broadcasting, the aspiring fourth network; the TVX Broadcast Group; and, perhaps, Lorimar-Telepictures.

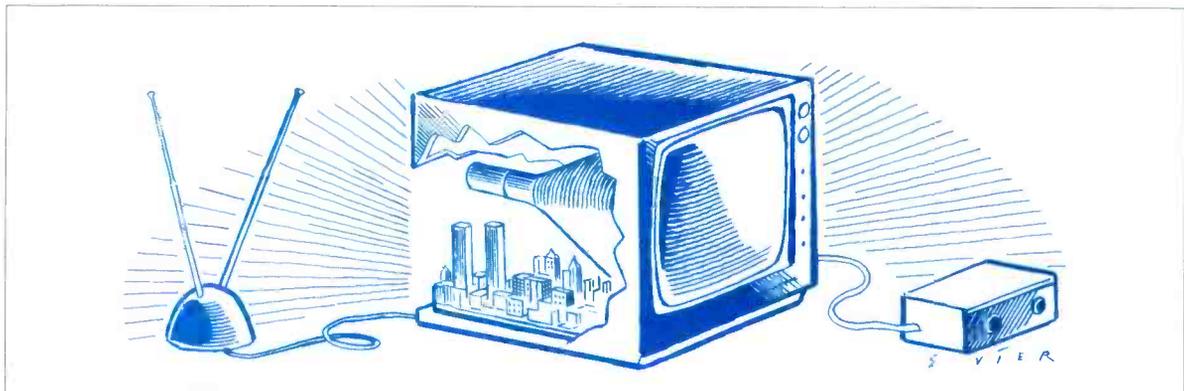
While Wall Street was blessing broadcasting, cheap and plentiful money converted broadcasters from conservative to liberal users of debt. Twenty-two companies raised \$5.6 billion in public debt and equity for

mergers, acquisitions and leveraged buyouts, according to analyst Paul Kagan, bringing total broadcast debt to perhaps over \$21 billion by the end of 1986.

Other historic areas of serenity have been shaken. Network compensation seems sure to become a bargaining chip for affiliations as NBC raises its payments, CBS lowers them and ABC tries to do both. When NBC got the drop on CBS and bought Miami's CBS affiliate, WTVJ-TV, signals went out about a possible instability in major markets.

Our *In Focus* section takes the issue of "Who Owns Broadcasting?" at its crest. Charts and graphs provide a connect-the-dots picture of the business today. And an examination of the giant ad-rep firm John Blair & Co. since its acquisition by financier Saul Steinberg reveals the investment rationale that has drawn him and other masters of finance to the broadcast industry.

JERI BAKER



Sale of the Century

FCC rules changes have created a new era in TV ownership, with stations being sold like so many fast-food franchises. **BY HARVEY D. SHAPIRO**

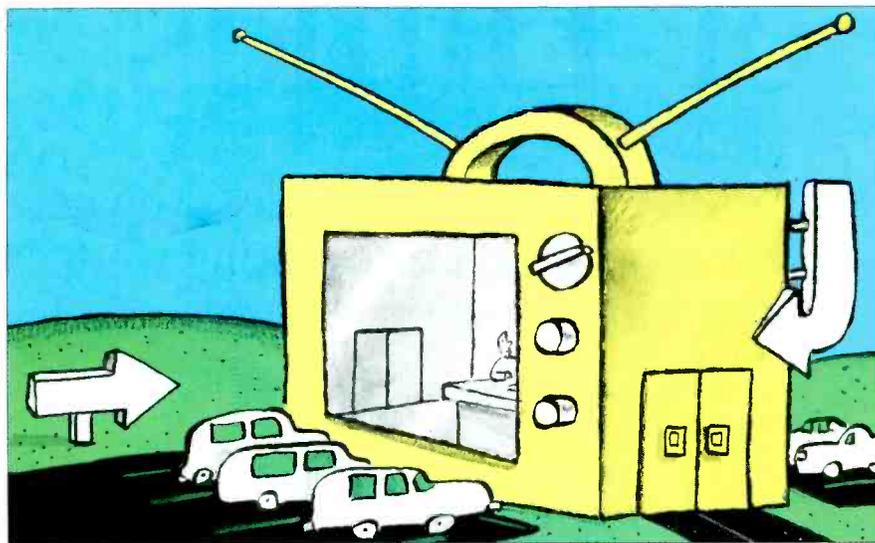
They don't carry *Let's Make a Deal* on KTXH-TV in Houston, they live it. Launched in late 1982 by Milton Grant and several local entrepreneurs, independent KTXH was sold a year later to Gulf Broadcasting. Then, in early 1985, Gulf sold it to Taft Broadcasting. Taft unloaded it in November 1986, selling to the TVX Broadcast Group. After four owners in four years, KTXH news and public affairs director Kim King says she and her co-workers are experts on ownership changes: "We ought to open up a consulting service."

Perhaps they should. Changes in station ownership, once fairly infrequent in television, are now commonplace, and stations are being sold like so many fast-food franchises. The three networks have essentially changed hands, as have 406 stations around the country over the past two years, according to analyst Paul Kagan.

Television is usually thought of as a multibillion-dollar industry dominated by corporate giants who operate national networks. But stations are essentially small businesses, like many of the stores and factories in their communities. These small businesses have traditionally been owned by local people, often the same ones who own the newspaper or radio station. But just as many local businesses have been bought up by national concerns, stations increasingly are being sold to firms headquartered elsewhere.

In truth, it's not even large companies in many instances that own and control local TV. Instead it is investment banks, other lending or money-raising institutions, anonymous investors in "blind" pools and financiers, such as Blair Television owner Saul Steinberg, who in fact own television today.

As long as the local television advertiser.....
Harvey D. Shapiro, an Institutional Investor contributing editor, is a New York freelance writer specializing in financial topics.



PETER KUPER

tising marketplace stays strong and interest rates remain low, changes in ownership for affiliates and well established independents are, by and large, difficult for viewers and advertisers to detect. But big money, in this case, Wall Street junk-bond financings, has bet wrong on TV station ownership on two recent occasions, and the resulting bankruptcies of Grant Broadcasting and WTTV-TV in Indianapolis have raised questions about the implications of the buying-and-selling bazaar that has become station ownership.

Nowhere are those questions more pointedly asked than among station employees. A sales executive at a Midwestern station that recently changed hands says, "You wonder what the new owners are going to do—and if you're going to lose your job. You know they've paid a lot of money, and they'll want to get it back. And it's not as much fun when the owner is a stranger."

Nonetheless, Prof. Herbert Howard of the University of Tennessee and other experts say TV consolidation is here to stay. Howard, who monitors station-ownership trends for the National Association of Broadcasters, finds that nearly 90 percent of the VHF stations in

the 100 largest television markets were group owned in 1986, compared with 50 percent 30 years ago—when there was a much smaller universe of stations. Increasingly these groups are large, publicly-held companies. Many of them, such as Metromedia, Storer, Wometco, Cox and Harte-Hanks, have recently been sold, often via leveraged buyouts, and the buyers have in turn resold some or all of their stations.

New station owners can be expected to do things differently. "In the past, we had a lot of people who were not really running their media properties as businesses," says John J. Murphy, a partner in Adler & Shaykin, a New York investment firm specializing in buying and restructuring companies. "I wouldn't want to use the word 'toys,'" he says, "but basically these were not totally economic investments for the owners."

Today however, more and more stations are being bought by companies more interested in profits than party invitations. Indeed, they need cash to pay down debts incurred in acquisitions.

While some staggering purchase prices were recorded last year, they have declined because of slumping sta-

tion revenues and concern about program costs. Disadvantageous changes in the capital-gains tax accelerated the pace of transactions last year. But despite the accumulation of sales and the current softening in prices, station owner Robert Price, president of Price Communications, expects these purchases to continue because the conventional—and proven—wisdom is that good management can quickly turn a station around. “We’re very early in the process of bringing businesslike standards to television,” he says.

The station bazaar was unleashed by three regulatory changes: The first was a new cross-media ownership rule in 1975, which forced many newspapers and radio stations to sell their local stations. They reinvested in stations in other markets, however, broadening both the supply of and demand for TV properties while creating a new group

of absentee owners. An even more important change took effect in April 1985, when the maximum number of TV stations permitted to one owner was increased from seven to 12, as long as a group’s total audience reach does not exceed 25 percent of TV homes. Finally, the FCC began permitting quick flips in ownership, effectively eliminating a requirement that buyers hold a station for three years.

Sellers have no trouble finding buyers, thanks to the highly organized marketplace built by brokers and expanded by Wall Street investment banks. Bill Egan, a general partner at Burr, Egan, Deleage, a Boston venture-capital group that invests in media, says that buyers fall into three categories: those seeking vertical integration, those adding to station groups and those who just

want to own stations.

Station buyers like Rupert Murdoch understand vertical integration as well as Andrew Carnegie did. When the Australian press baron turned to other media, he not only bought 20th Century Fox, he also acquired six Metromedia television stations and Boston’s WXNE-TV. So Murdoch now has both a program-production operation and a significant distribution organization for it: Fox stations reaching nearly 25 percent of U.S. households. Murdoch can also use Fox programming for his satellite-delivered Sky Channel in Europe. Lorimar-Telepictures is chasing vertical integration as well, and although it backed out of its \$1.85 billion Storer deal in July, it agreed to buy stations in Pittsburgh and Indianapolis. Other program producers such as Tribune Company and MCA have paid high prices for stations in major markets. Meanwhile

WHO OWNS WHAT

IN THE TOP 10 TELEVISION MARKETS

Markets	National ADI Percentage (Arbitron)	Network Affiliates and O&Os	Independents
NEW YORK	7.78	Cap Cities/ABC (WABC, Ch. 7); CBS (WCBS, Ch. 2); NBC (WNBC, Ch. 4); Fox (WNYW, Ch. 5)	VHF: MCA* (WOR-TV, Ch. 9); Tribune (WPIX, Ch. 11); Educational Broad. Corp. (WNET, Ch. 13) UHF: City of New York (WNYC, Ch. 31); Hallmark* (WXTV, Ch. 41); Reliance Capital Group (WNJU, Ch. 47); Trinity Broadcasting (WTBY, Ch. 54); Trexar Corp. (WLIQ, Ch. 55); Home Shopping Network (WHSE, Ch. 68)
LOS ANGELES	5.17	Cap Cities/ABC (KABC, Ch. 7); CBS (KCBS, Ch. 2); NBC (KNBC, Ch. 4); Fox (KTTV, Ch. 11)	VHF: Tribune (KLT, Ch. 5); RKO (KHJ, Ch. 9); Chris-Craft (KCOP, Ch. 13) UHF: Aliza Corp. (KSCI, Ch. 18); Harriscope (KWHY, Ch. 22); Comm. TV of S. California (KCET, Ch. 28); Hallmark* (KMEV, Ch. 34); Trinity (KTBS, Ch. 40); Home Shopping Network (KHSC, Ch. 46); Reliance Capital (KVEA, Ch. 52); Golden Orange Broad. (KDOC, Ch. 56); L.A. Unified School Dist. (KLCS, Ch. 58); KTIE TV Inc. (KTIE, Ch. 63)
CHICAGO	3.50	Cap Cities/ABC (WLS, Ch. 7); CBS (WBMM, Ch. 2); NBC (WMAQ, Ch. 5); Fox (WFLD, Ch. 32)	VHF: Tribune (WGN, Ch. 9) UHF: Weigel Broad. (WCIU, Ch. 26); Christian Communications of Chicagoland (WCFC, Ch. 38); Oak Industries/Harriscope/Essaness Theatres Corp. (WSNS, Ch. 44); Home Shopping Network (WEHS, Ch. 60); Grant Broad. (WGBO, Ch. 66)
PHILADELPHIA	3.01	Cap Cities/ABC (WPVI, Ch. 6); CBS (WCAU, Ch. 10); Westinghouse (NBC: KYW, Ch. 3)	VHF: WHYY (WHYY, Ch. 12) UHF: Providence Journal (WPHL, Ch. 17); TVX* (WTAF, Ch. 29); S. Jersey Broadcasting (WMLM, Ch. 40); Reading Broad. (WTVE, Ch. 51); Grant Broad. (WGBS, Ch. 57); Delaware Valley Broad. (WTGI, Ch. 61); Home Shopping Network (WHSP, Ch. 65); Maranatha Broad. (WFMZ, Ch. 69)
SAN FRANCISCO	2.37	Cap Cities/ABC (KGO, Ch. 7); Westinghouse (CBS: KPIX, Ch. 5); Chronicle (NBC: KRON, Ch. 4)	VHF: Cox Enterprises (KTUV, Ch. 2); KQED Inc. (KQED, Ch. 9) UHF: Hallmark* (KDTV, Ch. 14); James Gabbert (KTZO, Ch. 20); Lincoln Television (KTSF, Ch. 26); KQED Inc. (KQEC, Ch. 32); Wilson Industries (KICU, Ch. 36); First Century Broad. (KFCB, Ch. 42); United Television (KBHK, Ch. 44); National Group Television (KSTS, Ch. 48); Sonoma Broadcasting (KFTY, Ch. 50)
BOSTON	2.33	Hearst Corp. (ABC: WCVB, Ch. 5); New England Television Corp. (CBS: WNEV, Ch. 7); Westinghouse (NBC: WBZ, Ch. 4); Fox (WFXT, Ch. 25)	VHF: WGBH Educational Foundation (WGBH, Ch. 2); Imes Stations (WMUR, Ch. 9) UHF: NHTV 21 Inc. (WNHT, Ch. 21); Storer (WSBK, Ch. 38); Granite State Broadcasting* (WNDS, Ch. 50); Gannett Corp. (WLVI, Ch. 56); Home Shopping Network (WHSN, Ch. 66); Christian Science Monitor (WQTV, Ch. 68)
DETROIT	1.92	Scripps-Howard (ABC: WXYZ, Ch. 7); Storer (CBS: WJLB, Ch. 2); Post-Newsweek (NBC: WDIV, Ch. 4)	VHF: Canadian Broadcasting Corp. (CBET, Ch. 9); UHF: Aben E. Johnson (WXON, Ch. 20); Tempo Enterprises (WIHT, Ch. 31); Cox Enterprises (WKBD, Ch. 50); Detroit Educational TV Foundation (WTVS, Ch. 56); Int'l Free & Accepted Masons (WGPR, Ch. 62)
DALLAS-FORT WORTH	1.83	A. H. Belo Corp. (ABC: WFAA, Ch. 8); Times Mirror (CBS: KDFW, Ch. 4); LIN Broadcasting (NBC: XKAS, Ch. 5); Fox (KDAF, Ch. 33)	VHF: Gaylord Broad. (KTVT, Ch. 11); N. Texas Public Broad. (KERA, Ch. 13) UHF: TVX* (KXTA, Ch. 21); Dallas Media Investors Corp. (KDFI, Ch. 27); Continental Broad. (KXTX, Ch. 39); Cela Inc. (KTLJ, Ch. 49); Trinity (KDTX, Ch. 58)
WASHINGTON, D.C.	1.78	Allbritton Communications (ABC: WJLA, Ch. 7); Gannett Corp. (CBS: WUSA, Ch. 9); NBC (WRC, Ch. 4); Fox (WTTG, Ch. 5)	UHF: TVX* (WDCA, Ch. 20); Greater Washington Educational Telecomm. Assoc. (WETA, Ch. 26); Howard U. (WHMM, Ch. 32); Hill Broad. (WFTY, Ch. 50); National Capital Christian Broad. (WTKK, Ch. 66)
HOUSTON	1.66	Cap Cities/ABC (KTRK, Ch. 13); Belo Corp. (CBS: KHOU, Ch. 11); H&C Communications (NBC: KPRC, Ch. 2); Fox (KRIV, Ch. 26)	VHF: U. of Houston (KUHT, Ch. 8) UHF: TVX* (KTXH, Ch. 20); Gaylord Broadcasting (KHTV, Ch. 39)

* Deal pending as of February 1987

last summer, Home Shopping Network, faced with rising cable competition, arranged to buy 11 UHF stations in major markets for \$150 million.

But vertical integration isn't the only reason to buy. There are also economies of scale in owning several stations. Says Murphy of Adler & Shaykin: "As you get larger, you have your own in-house sales force and your own national sales

manager who knocks on the door of ad agencies." With multiple stations, a company can negotiate lower program rates and spread overhead. And there are more subtle managerial benefits. Greg O'Connor, who was dispatched to Sioux City to become general sales manager when CitaCiel Communications bought KCAU-TV there in 1985, says that there's a "learning curve you don't ride" when managers receive advice from sister stations.

While the old groups are growing, new ones, particularly in radio, are being formed by station managers who see opportunities to buy properties. They're getting chances for ownership because of Wall Street's ongoing love affair with broadcasting. Last year alone, according to Paul Kagan, about \$5.2 billion was raised in debt financing for broadcasters, nearly nine times the amount raised for the industry just four years before. Although large portions of

From Owner to Manager

The room is always packed with general managers when radio conventions get around to one particular topic: station acquisition. "Everybody who has worked his way up in radio carries the dream of owning his own station," says Ivan Braiker, president of Seattle-based Olympic Broadcasting. Braiker had that dream himself and, in the last two years, has managed to pick up 13 stations.

Countless other radio professionals have also moved into ownership. Carl Brazell consummated radio's biggest leveraged buy-out last year, the \$289 million purchase of the nine-station Metromedia radio group he had managed. Joe Dorton left the presidency of Gannett's radio division last year to buy seven stations and now plans to go public with Los Angeles-based Sky Broadcasting. And veteran New York morning-show host John A. Gambling attracted investors and assembled JAG Communications' five Eastern stations.

The desire for ownership had been there for years, but for most radio professionals the means came along only recently. Outside investors and lenders are scrambling to get into broadcasting and need to have capable managers on their teams, says Tom Buono, president of Broadcast Investment Analysts. "It's a management-intensive business," says Buono, who is doing some matchmaking between capital and managers.

Acknowledging the asset value of radio expertise, investors are making partners out of some top managers who can put up less than 10 percent of the initial investment. Braiker, for instance, says much of his original stake in Olympic Broadcasting came from selling his house. Now he owns 10 percent of a group worth some \$60 million. Braiker, who once headed A.H. Belo's radio division and then founded the cable service Satellite Music Networks, started Olympic in 1984 with two investment bankers—his college roommate, Robert

Yaw, and Yaw's business associate, James D. Ireland. The partners went after stations with lagging ratings and, by Braiker's account, made them all number-one in their formats if not overall in their markets. They consolidated Olympic's debt by selling \$30 million in high-yield bonds—and last October went public with about a third of Olympic's stock.

Other newcomers to station ownership got there on an inside track. Gary Edens was running the Harte-Hanks radio group when the parent company's management pulled a buy-out and decided to sell several divisions to cover the new debt. He says he started Edens Broadcasting out of necessity: "My boss told me he was selling the company I was president of." But Harte-Hanks cushioned the shock by giving him six months to arrange financing (Edens says he went to New York and knocked on doors), and by selling at a below-market price. Edens bought seven Harte-Hanks stations for \$43.5 million, putting up \$10 million in cash and borrowing the rest. Since then the company has sold one and bought three more for \$21 million.

With such highly leveraged deals, the volatile radio business has its own special pitfalls, however. To a greater degree than a TV operation, a radio station can see its audience share and revenues plunge between one rating book and another, says Buono, and that can hurt if the company is paying interest on something like 60 percent of its worth.

Now that managers are being lured by ownership deals in addition to traditional job-hopping, Braiker is finding it hard to hire able professionals. "There's more money available today to buy stations than there are qualified operators," he says. And owners like Edens have responded by giving stock-option plans to key employees, turning them into part-owners to keep them on the job.

STEVE BEHRENS

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Radio pros have long had the desire to buy stations of their own. The means came along only recently.

those funds were used for purposes other than acquisition, there's no question that Wall Street's rush to media has been fueled by the station-acquisition game. At the same time, longtime television owners and investors are being joined by new pools of money. In the same week last fall, two new buying groups were announced: Joe L. Allbritton, who owns five stations, set up a new firm with nearly \$1 billion in money raised largely from insurance companies, and Merrill Lynch Media Partners was created under television veterans Elton Rule and Martin Pompadur for individuals who want a piece of station and cable properties.

Meanwhile, E.F. Hutton and Malrite have formed an investment pool and both New World Pictures and Hal Roach Studios have raised money to purchase stations, while at least two Wall Street banks are looking to set up station-buying funds.

Unlike so many other sectors of the economy, however, television is not being taken over by industrial conglomerates. "Television is much more a cash-flow-oriented business than a profit-and-loss-oriented business," Bill Egan explains, so TV stations "may show less profit than your other businesses would, and if your shares sell at a multiple of earnings, you would be penalized in the stock market for having lower earnings." Moreover, Egan says, "the big companies can't own enough TV to have an impact on what they are doing. If they go buy a TV station and it's not in one of the top markets, it won't add diddly to their revenue." So far, most of nonmedia investors, people such as Steinberg and Cineinnati's Carl Lindner, have been traders or raiders rather than managers. On the other hand, the Bass Group has taken a more hands-on approach to its media investments and is credited with having prodded Taft's decision to sell independent stations and its production subsidiary. And its board spot at Heritage Communications is thought to have encouraged that firm's plans to go private.

Moreover, the new station owners are proving to be different from earlier generations of owners in other ways. One is their "modern management." Since Citadel took over KCAU-TV, Greg O'Connor notes, it has "completely revamped the operating systems," adding computers, changing accounting,

BIGGEST TV STATION BUYS OF '86

BUYER	SELLER	STATIONS/MARKET	PRICE*	PRICE PER VIEWER
Pegasus Broadcasting	SFN Companies Inc.	KSCH-TV (Ind.) Sacramento, Calif.	\$620 million	N.A.
		WAPA (Ind.) San Juan, Puerto Rico		N.A.
		WJBF (ABC) Augusta, Ga.		N.A.
		WTVM (ABC) Columbus, Ga.		N.A.
Outlet Communications	Rockefeller Group	WATL (Ind.) Atlanta, Ga.	\$571.5 million	\$421
		KOVR-TV (ABC) Sacramento, Calif.		\$1,670
		WXIN-TV (Ind.) Indianapolis, Ind.		\$491
		WCPX-TV (CBS) Orlando, Fla.		\$3,365
		WCMH-TV (NBC) Columbus, Ohio		\$1,704
		WJAR-TV (NBC) Providence, R.I.		\$1,703
Gillett Group	Times Mirror Co.	WMAR (NBC) Baltimore, Md.	\$400 million	\$3,155
		WRLH (Ind.) Richmond, Va.		\$3,155
MCA Inc.**	GenCorp/RKO General	WOR-TV (Ind.) New York, N.Y.	\$387 million	\$2,333
Spanish International Communications**	Hallmark Cards Inc./First Chicago Venture Capital	KFTV-TV (SIN) Hanford, Calif.	\$301.5 million**	N.A.
		KMEX-TV (SIN) Los Angeles, Calif.		N.A.
		WLTU-TV (SIN) Miami, Fla.		N.A.
		WXTV-TV (SIN) Paterson, N.J.		N.A.
		KWEX-TV (SIN) San Antonio, Tex.		N.A.
The Times Mirror Co.	A.S. Abell	WMAR (NBC) Baltimore, Md.	\$300 million	\$2,366
		WRLH (Ind.) Richmond, Va.		\$2,366
Gillett Broadcasting	John Blair & Co.	KSBX-TV (NBC) Santo Barbara, Calif.	\$258 million	\$798
		KSBW-TV (NBC) Salinas, Calif.		\$798
		KOKH-TV (Ind.) Oklahoma City, Okla.		\$798
TVX Broadcast Group Inc.**	Taft Broadcasting Corp.	KTXA-TV (Ind.) Forth Worth, Tex.	\$240 million	N.A.
		KTXH-TV (Ind.) Houston, Tex.		N.A.
		WCIX-TV (Ind.) Miami, Fla.		N.A.
		WDCU-TV (Ind.) Washington, D.C.		N.A.
		WTAJ-TV (Ind.) Philadelphia, Pa.		N.A.
First Media Corp.	Wesray Capital Corp.	WCPX-TV (CBS) Orlando, Fla.	\$200 million	\$3,739
H&C Communications	Wesray Capital Corp.	KSAT (ABC) San Antonio, Tex.	\$153 million	\$1,703
Narragansett Capital Corp.	Wesray Capital Corp.	KOVR-TV (ABC) Sacramento, Calif.	\$104 million	\$1,930
Lorimar-Teletelvisions	TEL-AM Corp.	WTTV (Ind.) Indianapolis, Ind.	\$86 million	\$5,348
Providence Journal Corp.	WHAS Inc.	WHAS (CBS) Louisville, Ky.	\$85.7 million	\$1,577
Reliance Capital Group.	WNJU-TV Broadcasting	WNJU-TV (Ind.) New York, N.Y.	\$70 million	N.A.
Liberty Corp.	NASCO Inc.	KAIT (ABC) Jonesboro, Ark. KPLC (NBC) Lake Charles, La.	\$68 million	\$1,980
H.R. Broadcasting	B&F Broadcasting Inc.	WCGV (Ind.) Milwaukee, Wis.	\$61 million	\$929
		WTTO (Ind.) Birmingham, Ala.		\$929
WGRZ Acquisition Corp.	General Cinema Corp.	WGRZ-TV (NBC) Buffalo, N.Y.	\$56 million	\$1,141
Charles Woods	Texoma Broadcasting	KLFY-TV (CBS) Lafayette, La.	\$55 million	\$688
Tak Communications	Shamrock Broadcasting	KITV (ABC) Honolulu, Hi.	\$50 million	\$151

* Some prices are estimated. ** Included sale of five low-power television stations.
 ** Deal pending as of February 1987. Sources: Morgan Stanley & Co. Channels

and restructuring reporting roles. It also acquired KBGT-TV in nearby Albion, Neb., and turned it into a satellite station. Showbiz-as-usual has been replaced by business, textbook-style.

That's not necessarily synonymous with cost cutting, however. While the new managers of ABC and CBS are tight with a dollar, that's not the pattern among new station owners. Indeed, many are larger and better capitalized than their predecessors. Thus, when Diversified Communications bought WDAU, a Scranton UHF station, it spent \$2 million moving the sta-

tion's transmitter. At KTXH-TV, Kim King says, "Each new owner brought in resources to do things like buy new equipment and increase our commitment to community affairs." Buyers often pick stations because they see more professional—and expensive—promotion and programming as yielding ad increases.

The acquisition of television stations is more like the purchase of a division than of an entire company. The station is seen as an ongoing business and in most cases few changes are made. Says general manager Vince Barresi of

IN FOCUS/Who Owns Broadcasting?

KTXH, "The big job is to get brought into the rhythm of the financial and accounting aspects of the new operation." But some transitions can be worrisome. At KCAU, employees found consultants sniffing around and soon there were changes in the sales staff. In the highly mobile TV world, says one veteran of new owners, "when there are personnel changes, you don't know who was pushed and who jumped."

The new owners also differ from their predecessors in that they aren't married to their properties. Earlier owners viewed stations as family businesses, legacies to be handed down to children. But Adler & Shaykin's Murphy says, "Sure, the new owners are going to run their groups, but they're going to come to a point in five or ten years when they will have achieved some success and will sell out and reap the benefits." Some groups keep juggling their holdings in pursuit of bigger and better stations. Thus, when TVX bought Taft's five indies, it sold a smaller station it owned in Greensboro (to *Channels*' owner Norman Lear) to get down to its limit of 12.

In many ways what is happening in television happened in other industries decades ago. Grocery stores, papers, even hospitals have become units of companies based far away and owned by firms more interested in share prices and profits than operations. But the limits on ownership and audience mean television will remain a highly fragmented industry with little concentration. Similarly, there is little reason to fear undue influence on public opinion, particularly since the new breed of owners is even less likely than the old ones to be interested in shaping public views. And

RESULTS FOR TV GROUPS

(in millions of dollars)

GROUP OWNER	EST. 1986 NET REVENUES	EST. 1986 OPERATING INCOME
Cap Cities/ABC	\$665	\$250
NBC	\$393	\$130
CBS	\$370	\$121
Tribune	\$358	\$ 86
Fox	\$338	\$100
Group W	\$280	\$ 84
Gannett	\$260	\$ 80
Cox	\$254	\$ 71
Taft	\$236*	\$ 63
Storer	\$223	\$ 62
Chris-Craft	\$185	\$ 47

*Actual figure for fiscal year ending March 31, 1986.
Sources: First Boston Corp., *Channels*.

nearly everyone agrees that better capitalized owners provide an opportunity for more diversity in program sources.

The local nature of broadcast ownership also requires station managers to wrap themselves in local communities. Says Thomas Rogers, NBC vice president of policy, planning and business development and former senior counsel to the House telecommunications subcommittee: "The explosion of competitors and new technologies, particularly cable, has been a national phenomenon without local programming components. This forces broadcasters to retain local programming, particularly news, as a niche. The market forces more local orientation just as regulations once did."

John Abel, NAB's executive vice president of operations, notes that in 1970, the average TV station got 35 percent of its total revenue from local ads; in 1985, it is just over 50 percent. "Your ability to get ad dollars is dependent on

how involved you are in the community," he says.

As a result, station owners are likely to cater to what they think are local audience interests. As John Murphy says, "One thing they're going to do is give the people what they want. . . . If it's an *I Love Lucy* town, they'll run *I Love Lucy*. If it's a news town, it's going to be news."

Critics argue that money-grubbing corporations interested only in the bottom line are taking over television, a view that has seemed credible in the newspaper industry, where old-line families in Des Moines and Louisville have sold out to industry giant Gannett, a company often criticized for worshipping blandness. In television, local family-owned stations have hardly been bastions of enlightenment, and many groups run pretty good stations.

The new breed of owners is not necessarily more avaricious—just more efficient in a business designed to assemble audiences for advertisers. Paul Kagan says station owners "are slaves to the ratings; they're not going to run Channel 4 any differently than Storer did. If they're better programmers, they'll pick better sitcoms and better anchors, but they'll pick the same kind of shows."

Look at WNEV-TV in Boston. After the FCC awarded its license to a coalition of local executives, academics and community activists in 1982, it launched a number of local programs. But most fared poorly in the ratings and were soon replaced by such staples as *Wheel of Fortune*.

In general, the new owners have had a bigger impact on accounting methods than on program schedules. Ownership is a revolving door at KTXH, but general manager Barresi says, "In terms of on-air product, there really isn't any difference."

A new radio-station owner can change formats overnight. But in television, new owners buy programming contracts and they're costly to break. That's not only true of affiliates, but also of independents such as KTXH, where long-term broadcasting contracts with the Houston Astros and Rockets lock up substantial amounts of airtime. The new ownership of many stations has been largely invisible to the audiences so far. And there is good reason to think it will stay that way. ●

TOTAL MINORITY-OWNED AND CONTROLLED STATIONS*

YEAR	TOTAL TV	TOTAL RADIO	TOTAL STATIONS	% TOTAL U.S. STATIONS	TOTAL OWNERS
1986	38	209	247	2.1**	181
1985	32	171	203	1.8	147
1984	14	181	195	1.8	132
1983	16	181	197	1.8	134
1982	17	177	194	1.9	133

*Figures for continental U.S. only.

**Excluding construction permits held.

Source: National Association of Broadcasters

The New Order at Blair

Betting on Spanish-language TV, John Blair & Co.'s new owner, Saul Steinberg, is selling the ad rep and program units. **BY JOHN F. BERRY**

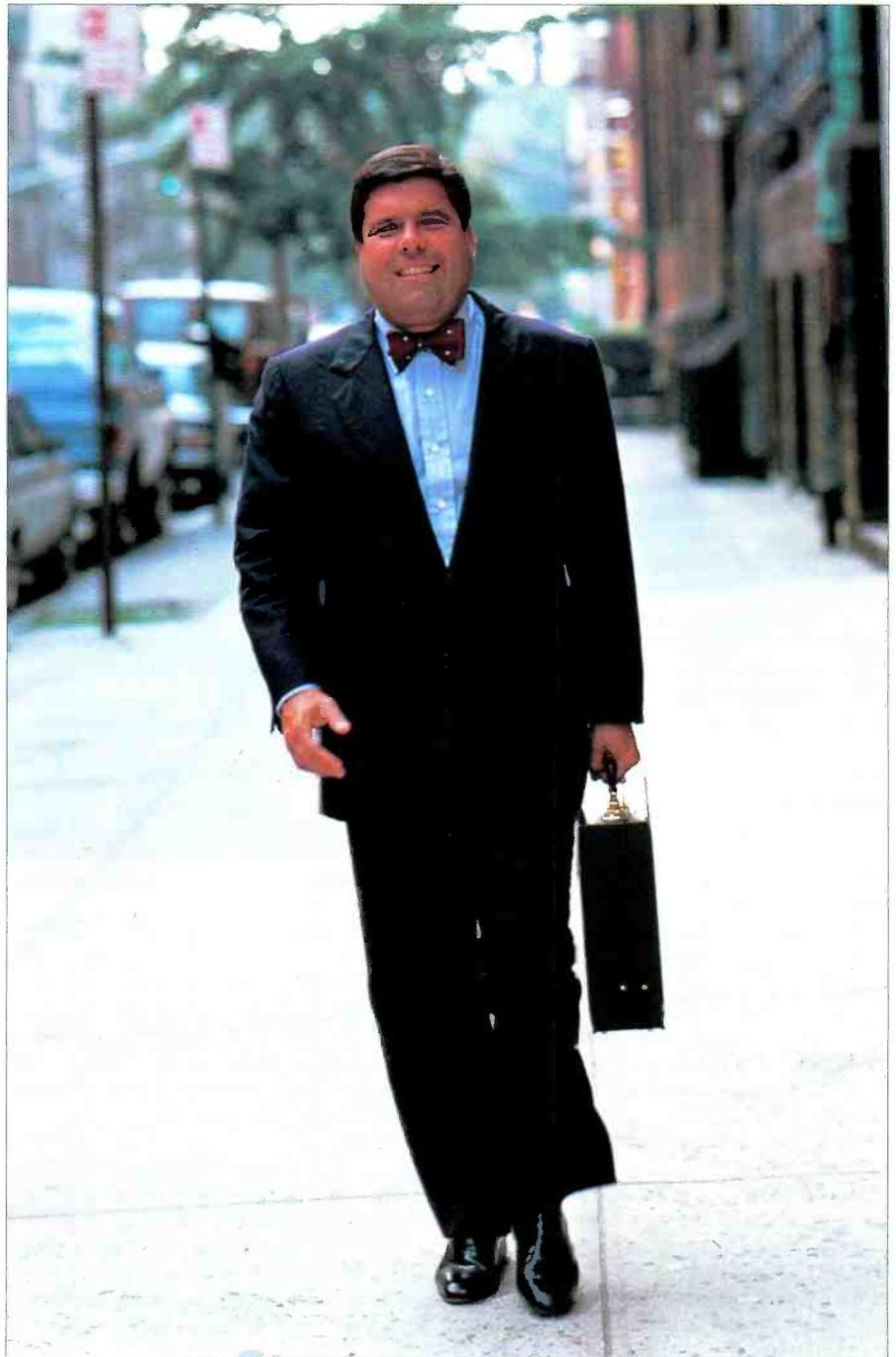
You can almost hear a John Williams theme swelling in the background as Henry R. Silverman, the new chief executive of the ad-rep firm John Blair & Co., describes the profit potential for the company's major new investment in Spanish-language television. Blair, now owned by financier Saul Steinberg's Reliance Capital Group, has purchased four Spanish-language TV stations and is in the midst of launching a new Spanish-language TV network, Telemundo, which is reaching more than two million Spanish-speaking households. And like Hallmark Cards Inc., which recently announced its intention to purchase the Spanish International Communications Corp., Silverman has visions of big money rolling in as the Spanish market begins to emerge in the U.S.: "It'll be like *Star Wars*!" enthuses the normally reserved CEO. "We'll make tremendous amounts of money."

Silverman hears the music loud and clear. All that's needed, he maintains, is for large TV advertisers such as Procter & Gamble to toss a small part of what they spend elsewhere to Hispanic broadcasters. "We don't even need our fair share of ad dollars," he says, noting census data that suggests in five years some 10 percent of U.S. homes will be Hispanic. "If we get just 5 percent, half what those viewers represent, that's \$1.5 billion, a tenfold jump from today."

The almost overnight expansion of 51-year-old Blair from a leading broadcasting ad-sales rep firm, station owner and direct mailer into a new force in Spanish-language TV reflects Blair's and Silverman's commitment to that premise. So does the enormous debt incurred in taking the next step. Reliance paid \$325 million for Blair, of which \$215 million is debt.

Blair today is unrecognizable from the Blair of only a few months ago and it

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Contributing editor John F. Berry last wrote about television's business shows.



Reliance Capital Group's Saul Steinberg: from *enfant terrible* on the Street to Spanish TV magnate.

may change even more if Silverman goes ahead with plans to sell the company's ad rep and programming subsidiaries. It is also a company with a troubled recent past and with serious questions about its future. Can its ad-rep division, traditionally the company's largest revenue generator, recover from the loss of a major client such as Capital Cities? Can an inexperienced broadcast-management team launch a brand new Spanish network in an appealing but thus far unproven market? And if Blair is slow to convince Madison Avenue of the viability of the Spanish-language market, how can it handle its huge debt?

The fact that there is a new Blair is a direct result of weak management at the old Blair. With its profits and stock price swooning, Blair last year became the subject of a takeover battle waged by two corporate combatants fighting for underpriced assets. After a heated four-month imbroglio that was finally settled in court, financier Saul Steinberg beat out Macfadden Holdings, publisher of *True Confessions*, for control of the company.

Steinberg, who gained a reputation as the *enfant terrible* of finance in the 1960s after trying to take over powerful Chemical Bank, has been known more recently as a "greenmailer." He earned that sobriquet following takeover attempts at, among others, Walt Disney Studios, where he dropped a buyout bid in exchange for a \$30 million profit on a purchase of Disney shares. He's also legendary as one of Wall Street's savviest investors. Blair had been publicly owned until it was acquired late last year by Reliance Capital Group, a limited partnership managed by a unit of Reliance Group Holdings, a public company with \$5.1 billion in assets that include insurance concerns as well as real estate development and other investment interests. Before acquiring Blair, Reliance Capital already owned two Spanish-language television stations that were the inspiration for buying Blair.

Silverman, 46, an intense, deadly serious man, reflects the new breed of television industry financial whizzes. A lawyer by training, Silverman calls himself an investment banker and financier, a trade learned at the investment firm of Oppenheimer & Co. In the late 1970s and early 1980s, Silverman was a princi-



Blair CEO Henry Silverman: "We don't even need our fair share of ad dollars" to make Telemundo work.

pal of an investment group in fields as diverse as oil and gas, steamboats, outdoor advertising, movie production and hardware manufacturing. He entered TV in the late 1970s when he joined a group buying WIXT in Rochester. "It worked so well I became intrigued with the business," he says.

Moving to Reliance in 1982 as senior vice president for business development for an investment pool called Reliance Group Holdings L.P., he convinced Steinberg of the attractive economics of broadcasting and soon acquired WICS-TV in Springfield, Ill. He boosted both stations to number one before selling

them. "I realized there's no magic" to TV, he says. "You don't have to be a nuclear scientist to be a decent TV executive. You just watch the pennies and have a sense of programming."

What really attracted him—and his angel Steinberg—to TV acquisitions was the same thing that has lured many Wall Streeters to media properties: the promise of big profits on very little money down. "You have a very high quality stream of demonstrable cash flow and very little reinvestment," he says. "If you improve the station's value by 10 percent a year, you're doubling your money every year because you only put down 10 percent."

Silverman once read a study about the

explosive growth of the Spanish-speaking population, which predicted among other things, that 65 percent of California's citizens would be Hispanic by 1992. He remembered that study when, in 1985, a friend called to propose that Reliance Capital acquire KVEA-TV, Channel 52, in Los Angeles, and convert it from English to Spanish language. Silverman jumped at the opportunity.

First of all, the price seemed right. The total cost of putting KVEA on the air was \$3 million. Nearby KTLA-TV, the second-rated Anglo station in L.A., sold for \$510 million to Tribune Co. at about the same time. Says Silverman: "I figured that if the second-rated Anglo station is worth more than \$500 million, and there are as many, if not more, Hispanics in L.A. than Anglos, then I could have the number two or maybe the number one Spanish station some day. It's got to be worth much more."

Anticipating gradual growth, Reliance was shocked and delighted when KVEA immediately grabbed almost 50 percent of the Spanish-speaking audience. The audience, significantly, came from Anglo stations, not from LA's dominant Hispanic station, KMEX-TV. This experience, together with cheery census forecasts, sent Silverman scurrying for more broadcast outlets in major Hispanic communities, a decision

which inevitably led Reliance to Blair.

Only a few years earlier, in 1983, Blair looked like anything but a takeover target. With revenues of \$300 million, it was the nation's largest independent broker of radio and TV time, operating

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 'You don't have to be a nuclear scientist to be a decent TV executive. You just have to watch the pennies and have a sense of programming.'

a string of radio and TV stations, a program-syndication division and a coupon-distribution business. Debt was manageable with net after-tax profits of \$18 million on gross sales of \$414 million, and with a five-year return on equity averaging 20 percent. All this was reflected in the stock price, which rose to the mid-40s in late 1983, double the price of a year before.

But in 1984, Blair's popular and respected chief executive, Jack Fritz, embarked on a wildly ambitious expansion program. It was a disaster. Says one former top Blair executive: "Jack

Fritz went from hero to bum in just nine months." The heart of the problem was Blair's \$36 million acquisition in 1984 of ADVO Inc., the largest U.S. distributor of presorted direct mail. Blair then began pumping in capital: some \$100 million in a matter of months, in an ill-conceived scheme to increase ADVO's reach from 13 million to 45 million homes.

When competitors retaliated with a price-cutting war, Blair was in trouble, saddled with \$300 million in debt that required \$43 million in interest and \$6 million in principal payments annually. And while Blair's 1984 revenues more than doubled from a year earlier to \$842 million, profits plunged 45 percent to \$10.5 million. Then, in 1985, Blair lost \$29.2 million on revenues of \$630.5 million.

Desperate, Blair hired Salomon Brothers and Drexel Burnham to solve its problems. But it was too late. In 1986, with the stock price deeply depressed and takeover sharks circling, Reliance Capital took over, with Steinberg in the unusual role of white knight.

Blair, in its futile self defense, had done much of the restructuring dirty work before the December 24 takeover. Most importantly, it got rid of ADVO, with E.M. Warburg Pincus Co. paying \$20 million for 30 percent equity inter-

The Hispanic News Wars

Reliance Capital Group's entry into the Hispanic market has introduced new competition to one key area of Spanish-language television: broadcast news. In January, Telemundo—the Reliance subsidiary that operates four Spanish-language stations—began broadcasting a national news show called *Noticiero Telemundo*, a direct challenge to the evening newscast of the Spanish International Network (SIN) owned by Mexican media baron Emilio Azcarraga. Until January, SIN enjoyed a monopoly in Spanish-language news in the U.S.

Last summer, in the wake of a Federal Communications Commission investigation, Azcarraga was forced to sell his American station group, the Spanish International Communications Corp., and shortly afterward he announced a reorganization of SIN. The network's name was changed to Univision and the company added late-evening and weekend newscasts to its schedule.

The Univision reorganization soon foundered, however, after Azcarraga dispatched his main anchor in Mexico City, Jacobo Zabludovsky, to Miami to run the news divi-

sion. Many Univision staffers regarded the Zabludovsky appointment as an assault on the network's independence, and shortly after it was announced Gustavo Godoy, SIN's popular vice president for news, resigned. Fifteen key anchors and correspondents quit with him.

In November Godoy founded a new company, the Hispanic American Broadcasting Corp., with \$8 million in backing from Miami businessman Amancio Victor Suarez. Godoy and his ex-SIN staffers will produce a half-hour evening news show and Telemundo has bought domestic rights to the newscasts for its stations, a relationship cemented by the program's title, *Noticiero Telemundo*.

The defection of Godoy clearly hurt Univision's standing. "We were like an animal with its head cut off that first week," says Niurka Pineiro, producer of Univision's evening newscast. While the early Arbitron figures give Univision a lead, many observers expect its ratings to soften as viewers begin to sample the rival newscast on the Telemundo stations.

—MIKE CLARY

est and voting control, with the balance being distributed to Blair shareholders as a dividend. (Ironically, the independent ADVO reportedly is thriving today.)

Gone also by early January were Fritz and other members of corporate management. Reliance Capital, realizing that customer relations called for a measure of stability, kept most of the top management of the two surviving entities and elevated Blair veterans to run them: Harry B. Smart became chief executive of TV and radio advertising representation and Patrick J. Devlin was named production/syndication president.

Of course, the real attraction for Reliance Capital, whose appetite was whetted by the investment in Los Angeles, was Blair's two Spanish-language TV stations: WKAQ Puerto Rico, and WSCV Miami. To underscore that fact, the new owner sold its three English-language stations two weeks after acquiring Blair. More recently, Blair's radio stations were also sold, a week after Reliance paid \$70 million to buy New York City's highest-rated Hispanic station, WNJU, Channel 47.

With four TV stations broadcasting *en Espanol*, the new Blair, now a Reliance Capital subsidiary, wasted no time consolidating its holdings. By January 12, just three weeks after it was acquired, Blair raised the curtain on Telemundo Group Inc., a half-hour nightly news program which it grandly described as "the new Spanish-language television network." The next month it introduced a game show, *La Pinata De Los \$25,000*.

From this small but speedy beginning, Blair's Silverman envisions a Latino broadcasting empire. No sooner was Telemundo launched than Silverman talked of spending upward of \$100 million to acquire stations in such heavily Hispanic cities as Chicago and San Antonio. To head operations of the fledgling network, Silverman hired Leonard P. Forman, director of planning for The New York Times Co.

Telemundo becomes an overnight competitor to Univision, formerly Spanish International Network (SIN), a 25-year-old system that supplies programming to more than 400 cable and broadcast outlets. At the same time, Hallmark and First Chicago Venture Capital are seeking federal approval to

buy, for \$301.5 million, Spanish International Communications Corp. (SICC), which has five stations in major markets. "They're good marketers and I'm thrilled," says Silverman. "We really don't care if we make the sale or Hallmark makes the sale. If we convince P&G to spend \$30 million on Spanish TV, the next year Hallmark will convince them to spend \$60 million—30 on them, 30 on us. That's how we'll grow the market."

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'It'll be like *Star Wars!*' says Blair's CEO about Spanish-language TV. 'We'll make tremendous amounts of money.'

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While the outlook for Blair's Latino network is clearly defined, the rest of its business seems less so. About one third of Blair's profits comes from brokering advertising for radio and TV stations, a business that was jolted last year when Blair's biggest client of 25 years, Capital Cities, merged with ABC and the two decided to do their own brokering. "It was a revenue blow and an ego blow," says Silverman. "Here they'd lost this big client on top of other problems. So one of our first jobs was to make the Blair people feel good about themselves, which I think we've accomplished."

Blair has also lost other accounts, which has caused the new management to abandon the company's old attitude of representing only stations in major markets. Now Blair will represent anyone, anywhere, and executives say intensified station-recruiting efforts appear successful.

But some officials in the trade feel that Blair's rep business has slipped so badly that it will take a major effort to turn it around. "Given the negative effect of ABC and others leaving them, Blair is in a period of retrenchment. It's got negative momentum at the moment," says one industry executive. Not so, counters Silverman, who cites a study showing, he says, that "among

TV stations, Blair is the number one choice for the sixth year in a row." Pressed for the study, a Blair executive explains that it was commissioned for internal use only. But, he asserts, "The study shows that among time buyers, Blair has been number one since 1979, when we began the survey."

That may be so, but Blair's biggest competitor, Katz Communications Inc., has its own private study that claims *it* is first. The Katz study says that it is the "dominant broadcasting" ad rep with over \$900 million in TV billings last year and that this decade Katz has moved from "a position of parity with Blair to a position of substantial dominance."

Claims aside, Katz, Blair and everyone else in the business are being squeezed these days by hungry client stations pursuing decreasing advertising. Silverman sees it as a crisis: "All the reps' margins are eroding because the stations are saying, 'We want more work, more service, better research and we want to pay less' . . . The whole business is going to disappear unless the reps acquire a little backbone and stand up to their clients and say, 'We can't do this anymore for low commissions.'"

Another part of Blair's business with a shaky future is production and syndication which, according to Silverman, provides about 6 percent of the company's profits. Blair Entertainment syndicates shows like *Divorce Court*, *Strike It Rich* and NFL Films, and while the venture is profitable, it eats up capital. That's not a good business for the new Blair, which is highly leveraged and needs cash flow. So Blair Entertainment will probably be sold, "maybe to management, maybe with management," says Silverman.

But while Silverman looks to shed costly production of Anglo programming, in the next breath he talks about producing Spanish shows at Blair's San Juan station. The message in this apparent contradiction is that Silverman and Steinberg think they've found a new high-return game, a couple of steps ahead of everyone else.

If they are right, there will be enough cash to pay off Blair's staggering debt and to pump out steamy novellas for the huge Spanish audience it envisions. "Even if TV spending is flat in '87, as it's projected to be," says Silverman, "we think the amount spent on Spanish TV will probably double, and double again in '88, because it's such a small percentage of what it should be." ●

PRIVATE EYE

MOYERS AND MUDD: SEERS OR SOREHEADS?

Very few people choose to leave on-air network news jobs for any reason—local anchoring at double the salary is the most common incentive for those who do. But in recent months two superstars have jumped to PBS, for about 20 percent of their network wages, saying as they went that it was no longer possible for them to do worthwhile journalism in the new cost-conscious commercial TV environment.

There could be some question as to whether these journalists are seers or soreheads. The peripatetic Bill Moyers departed for the second time to join public TV for the third; although he had been the commercial network's designated commentator and leading documentarist, he wasn't getting much air either on the nightly news or in prime time. Roger Mudd, who huffed off from CBS in 1980 after being passed over for Walter Cronkite's job, left NBC under comparable circumstances: He had been bumped as nightly anchor and then presided over the flop of successive versions of a prime time news magazine. For Mudd and Moyers, as for most people whose ambitions outreach their opportunities, it would be easy to confuse personal frustration with the thwarting of all virtue.

But as new top management have taken over at all three networks—in two cases, from a nonbroadcast background, and in all three from a strong bottom-line orientation—the TV news business has been beset as never before by debates about what, if any, obligations it has beyond satisfying the stockholders. Journalistic programs can be major money losers because their staffs are disproportionately large for their airtime. One measure: Although *60 Minutes* has been known to account for as much as a quarter of CBS Broadcast's profits, the CBS News division as a whole has trouble making money. Although CBS executives won't confirm it, chief executive Laurence Tisch reportedly wants to trim as much as \$50 million, or 17 percent, from the already tightened \$300 million budget. To TV executives, lack of profit quite reasonably translates as lack of sufficient following. They have begun to ask a pointed question: Are news programs really in the public interest if the public isn't interested?

Up until a few years ago, the prevailing wisdom was that TV news had a high moral obligation to teach the audience, to broaden its horizons. The bulk of each newscast was devoted to the actions of government in Washington, however distant or dull, on the theory that TV's role was to produce better citizens. Other

stories came primarily from foreign capitals and Wall Street, because TV news was supposed to take people outside their homes, towns and petty concerns and make them participants in the wider world.

Then executives began to adopt an alternative notion that had been developed on highly lucrative local newscasts. In this conception, TV was not a teacher but a companion, not a superior but a peer. The content of a newscast, the proponents of this view held, ought not to improve viewers' minds but instead provide "news you can use" based on what viewers already know and care about, from health and fitness blurbs or consumer tips to titillating horror stories about such family-centered fears as house fires, school scandals and child molestation. Indeed, when I was asked a few years ago to become the media critic for a

network-owned station in New York City, the media capital of the free world, the news director counseled me, "Remember, our audience is ignorant housewives who get most of their information from TV and have no interest in knowing any better."

This new outlook spread to the networks, first on the morning shows, then at night. Av Westin explained ABC's approach a few years back by saying that viewers wanted the answers to two questions: Is my family safe tonight? Is my world safe tonight? When Van Gordon Sauter took over CBS News, he started downplaying Wash-

ington because viewers were not much interested in news from there—whether or not they should be—and emphasizing lifestyle features from around the nation. NBC followed suit. Soon each newscast ended each night with a cutesy feature story. Generally, they still do. The documentary, the other traditional venue for serious TV journalism, has undergone even more radical rethinking. For the most part, news executives have labeled the form dead. Most documentaries that get made are held for months, then shown in low-viewing time slots; the others tend to ply the few sure-fire topics—sex, drugs, children.

The chief result of all this emotive journalism has been to play up the role of the anchor as a personality and to downplay the value of correspondents. Except after a State of the Union speech or the like, there is less and less room for commentary or even simple explanation. Thus today's TV news departments have little room for an Eric Sevareid, let alone an Edward R. Murrow—who was never, it is worth remembering, the anchor of the nightly newscast, but a correspondent and commentator on documentaries of real clout. Even if they are soreheads, Moyers and Mudd are probably right. It's not just that they don't have the jobs they want—nobody does anymore. ●



by William A.
Henry III

TV news executives have begun to ask a pointed question: Are news programs really in the public interest if the public isn't really interested?



Roger Mudd: In television's cost-conscious era, his quest for the perfect job points up the changes in network news.

PHOTO CREDIT: TULLIAISON

Sizing Up a Down Market

Experts from advertising, broadcasting and the Wall Street community appraise the changing industry at a *Channels* breakfast forum at NATPE.

WES DUBIN,
Senior Vice President, DDB Needham

These changes in the marketplace today are really a manifestation of what we were talking about six or seven years ago when we had a romance with cable and new technology. We were saying then that we were at the threshold of a coming media democracy. And that's just what we're experiencing now. People are set free from having to depend on getting all their entertainment from three commercial networks. Audience fragmentation is a reality that we've prepared ourselves for over the last few years. . . . The opportunity for an advertiser to spread money around in different



media will obviously contribute to a softness at the networks, but there's been a high degree of unhappiness with the rising national broadcast costs between the mid-70s and the mid-80s. A lot of people who used the networks before have decided that there are other places to spend their money. The advertiser just doesn't have the ability to spend money on a sustained, increased basis that the network would like to see. . . .

The advertising community and the station operators, if you think about it, are really both in the same business: trying to sell a product to the consumer. They both have to look at it as a business of selling leisure time. The stations will have to act accordingly and work a little harder with the advertiser.

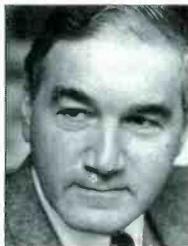
FRED PIERCE, former president, ABC Inc.

We don't have a two-and-a-half-network economy right now; we have roughly a 2.9 network economy. There's a 10 percent differential in growth in the marketplace, which has created a problem



The *Channels* panel at Brennan's in New Orleans (l. to r.): Harold Vogel, Frederick Pierce, Wes Dubin and Les Brown, with Peter Ainslie (inset) moderating. Topic was Programming in the New Marketplace.

at two of the three networks. The outlook for '87 at the networks is between a worst-case, flat scenario and a 3 percent increase in general billings. You can't get away from all the nonprogram costs at a network—personnel, advertising, promotion and the like. So unless something dramatic happens to drop programming costs, there's going to be a problem in profitability for two of the three networks. In this new cycle we've entered, where the audience is no longer growing, the manner of doing business is going to have to change at the production source, in Hollywood. . . .



In the past year we've seen the beginning of the VCR's impact. Not only are network viewing levels off, but the levels are down generally by two or three points.

It could be a sample variation in the Nielsens that will play itself out over another year, or it's that people are seeking other manners of viewing, which basically are rentals. If this is where the loss is, it's going to add to the networks' problems. . . .

When you've got a slow-growth life, you are going to have to get back to selling the effectiveness of television, and not just the cost per thousand. The problem at each of the networks today is that they're still just selling by the eyeballs; they're not selling as aggressively as some of the local stations. Last year the television-station marketplace improved 8 or 10 percent across the board while the networks were flat. The TV networks might look to radio, which had to go through that same evolution. Radio went through an audience fragmentation. The nature of the programming changed. Radio hit a nadir with advertising and then snapped back.

CHRIS HARRIS

Talking Heads

HAL VOGEL,
vice president, Merrill Lynch

My view of this whole industry trend is that the impact of all these fragmenting effects—VCRs, independent stations, cable and so on—is a growth spurt, the growth spurt of the early '80s. Over the next year or two, I think we're going to see the stabilization of the growth of shares until these things sort out. Then we'll probably have a further decline in network power, progressing very gradually as we get into the '90s. But the initial impact of this spurt of growth has pretty much been felt, and it is going to be arrested for the networks in the next year or two. I think for now, this is as bad as it gets. I look for a better performance this year.



None of them had prepared for bad credits or thought this business could

There is a fundamental shift in the syndicated programming business. The syndicators and program suppliers were living in a world of unreality.

'The issues facing TV executives these days are enough to have everyone in this room looking into podiatry as a second career.'

—Moderator Peter Ainslie,
managing editor, *Channels*

ever go sour. And now they're all going to need to have the credit-watch department arrange for back-up reserves, just like any other business. It's becoming a normal business from an abnormally good business. The pricing of syndicated product has probably peaked. There will always be strong demand for the hot, *Cosby*-type program. But in terms of what the program supplier can demand, I believe things have topped out. There are too many competitors out there. You have to watch your credits now. You have to discount your futures. You have to take deficit financing. It's no longer Easy Street. It's more like a regular American business.

LES BROWN,
editor in chief, *Channels*

The pendulum is swinging back from deregulation. There will be a lot of pleadings before the next FCC to create a level playing field for television and cable. To deregulate the must-carry rule is to make a dangerous monopoly of cable, giving it the power to determine which stations can be seen in any market. Not even the network stations are



safe, because when cable systems start selling advertising in earnest they'd be crazy to carry their biggest competitors. So if their subscribers want ABC, CBS and NBC—and there is no must-carry rule—the cable systems can bring in network programming from other markets. Broadcasters will want the three-year ownership rule reinstated to bring stability back to the business, and program suppliers will want the FCC to be strict about a new licensee's financial qualifications so that they don't get burned by bankruptcies. ●

A Period of Readjustment

Wes Dubin: While the people-meter technology is not a perfect system, most people will admit that it's a better standard than asking consumers to record family viewing in a diary, which they might do from memory at the end of a week. But we've got to get through a period with the people meter where we readjust our understanding of who we think is watching. And once we get past that period it will be business as usual. One of the stark realities, however, is that the numbers will be lower. That has obvious economic repercussions for the station manager, the network and the agency . . .

Audiences will be down from the old measurement system. But the same people who were watching yesterday will be watching tomorrow on the new measurement system. Nothing has changed but the standard. And we in the ad community have to make sure that the people who deal with us understand that television hasn't suddenly lost 8, 10, 12, 15 percent of its efficiency. It still works as a sales device if you're getting value out of it. We have to make sure they understand that it's not a sudden, incredible price increase. . . . We'll be paying the prices that the market demands. The unit prices we have today are not the product of some magic formula but of the amount of demand in the marketplace. If the three networks are

going to average \$125,000 a unit for prime time television today, it doesn't mean necessarily that when we change to a new measurement they won't be able to ask the same. If television is still doing its job effectively, the advertiser support will be there for that unit price. . . .

In the long run, I think the better audience measurements, with quick demographic data, will make television smarter about marketing and help the networks program the kinds of shows the advertisers want. There's been a lot of by-the-numbers thinking on both sides of the fence; maybe now there will be a smaller emphasis on the absolute gross numbers.

Fred Pierce: Anything that improves the measurement of audience tends to fragment the viewing even more, and that's going to lead to some economic problems. There's a tremendous risk in just switching over to a new measurement device before you know what the end results are. And the initial indications are that the people meters, because of whatever bias is built into them, whether it's a real or imaginary bias, basically put the viewing 5 to 10 percent below the diary method. And guys like Wes, who are buying for their clients, may utilize that to pay lower prices, because the cost-per-thousand structure is not going to change in this industry.

By Michael Pollan

PROGRAM
NOTES

The Sitcom With Turbopower

How *could* network TV ever run Garry Shandling's show? With his potshots at the sitcom formula the networks rely on, only cable has nothing to lose by airing it.

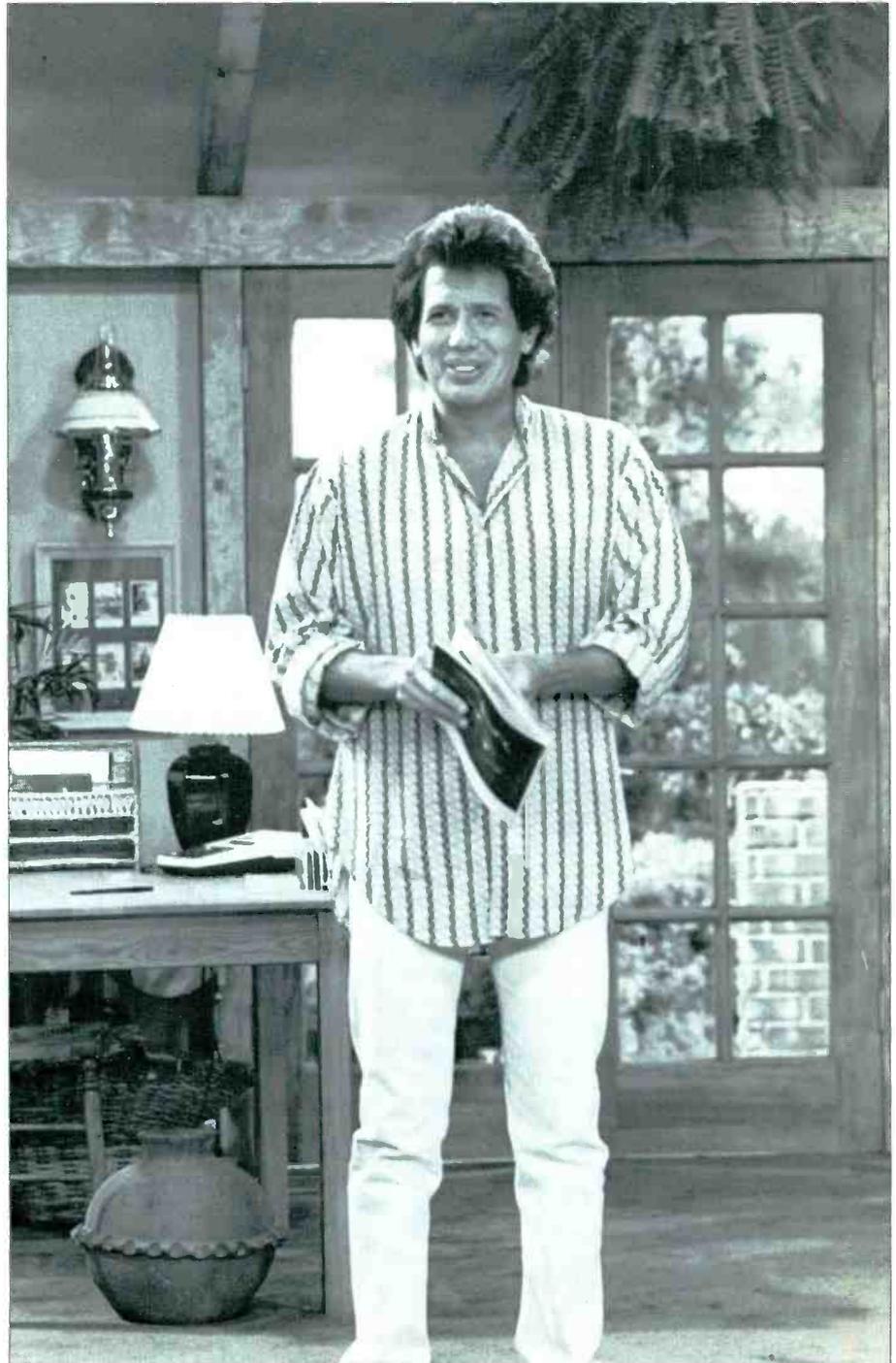
All three networks turned down *It's Garry Shandling's Show* before it found a home on Showtime. And if you've seen it, you have a good idea why.

Shandling trounces just about every convention of the contemporary sitcom. Rather than play a deacon, dad or extra-terrestrial, he more or less plays himself: a 37-year-old stand-up comic (he's a frequent guest host for Johnny Carson), who lives alone (What! No family?!) in a condo near Los Angeles. The plots of most episodes, like his stand-up routines, are drawn from his life—breaking up with a girlfriend, throwing a surprise party for his mom that backfires.

This far a network might have been willing to go, but there are more important sitcom rules that Shandling violates—most notably the tendency of sitcom characters to go about their business as if there were no camera in the room—indeed, as if they *were* in a room with four walls, and not a television studio.

Shandling, ever the stand-up comic, regularly steps out of character to talk to his audience. The fourth wall here is paper thin, and Shandling tears it every time he wants to crack a joke at another character's expense, or advance the plot. "Come on," he says to the camera, when

Contributing editor Michael Pollan is executive editor of Harper's magazine.



Shandling on the set of his show: Routines—from blow-dried hair to bachelorhood—drawn from life.

a scene with his mother turns sappy. "Let's dissolve to my living room."

It's *Garry Shandling's Show*, created by Shandling and former *Saturday Night Live* writer Alan Zweibel, and produced by Our Production Company, is one of a small but growing number of programs and commercials that approach television the same way many viewers do: with a large measure of irony. The creators know we know all about the conventions of television, and part of the pleasure of watching is being paid that compliment.

Like David Letterman and Bruce Willis, his fellow TV ironists, Shandling makes an implicit pact with his viewers. "Okay," he seems to be saying, "I realize you've spent 10,000 hours in front of this box, and you know every move. But I don't take this seriously either. I won't insult your intelligence and you can sit back and enjoy."

Evidently, this is a pact many viewers want to make. According to Showtime's audience research, the Shandling show consistently ranks among subscribers' 10 favorite monthly programs and movies, making it a hit by pay cable standards. It has also won the sort of critical attention that cable shows rarely attract. All this proves that non-movie programming, if done well, can certainly attract the cable audience. After an initial six-episode run last fall, Showtime gave Shandling a slot in its weekly schedule, making his show the network's second original sitcom. (*Brothers* is the first; a third, *Hard Knocks*, will bow later this spring.)

For all its self-consciousness, *It's Garry Shandling's Show* is not, as some reviewers have suggested, simply a spoof. Beneath all the jokes about the artifice of sitcoms beats the heart of a real sitcom, and it happens to be quite a good one. Shandling plays a sort of suburbanized and deracinated Woody Allen, a hard-luck bachelor who's "never even met the girl of my dreams in my dreams."

When we meet him in the first episode, he is settling into his new condo after breaking up with his girlfriend. ("She moved in with another guy, and that's where I draw the line.") As he unpacks, he neatly uses his belongings to sketch in his character: the turbocharged blowdryer, the lucky underwear, the trick mirror that goes over the bed ("It makes everything look bigger"). Male vanity takes repeated hits: He shows us the back-up generator for his blowdryer, and at least once an episode he asks the audience if his hair looks okay.

References to TV saturate the show. In an episode in which Garry must decide whether to marry a Guatemalan stagehand to keep her from being deported, he grabs a cordless mike and heads into the studio audience, doing a nice turn as Phil



Shandling steps out of character to talk to his audience—sometimes he even steps into his audience.

and Oprah rolled into one. And when he comes home to find his condominium burgled, the scene dissolves to a very funny fantasy sequence in which Vanna White gives his furniture away on *Wheel of Fortune*.

Virtually every episode features a guest star from some other show, always acting in character: Vanna, Father Guido Sarducci, a local sportscaster. Norman Fell shows up in a spoof of *The Graduate*, in which he had a bit part. Shandling is being seduced by a neighbor's wife, and turns for advice to Fell. "Do I have to sleep with her? Dustin did." "No," Fell assures him. "That was just a movie. This is real life." Shandling turns to us, his brow knit in puzzlement.

Of course, George Burns used to toy with the medium like this on the *George Burns and Gracie Allen Show*. But the context was very different then, and so was the effect. For Burns, an aside to the camera was more a holdover from the vaudeville stage than an assault on the sitcom—which was too new and unformed to lampoon anyway. Thirty years later, Shandling is working an audience that grew up on the sitcom and is fluent in its idiom: the fourth wall, the emphatically middle-class sets, the silly problems and sillier solutions, the stock characters endlessly reiterating themselves. In the same way some comics root their comedy in the common culture of the Jewish or California experience, Shandling roots his in the experience of a television childhood.

Shandling's tacit understanding with his audience means he can dispense with a lot of exposition. "It's 20 minutes later," he announces in the middle of the episode in which his stuff is stolen, "and now I have to do this scene with the cop." Since the cop's been watching the show, he already knows exactly where we are in the plot. Shandling has invented a dramatic shorthand that allows the sitcom, normally television's most lumbering genre, to barrel along like a quick-cut action show.

You can understand why the networks might be reluctant to let Shandling dis-

member situation comedy—that great television money machine—right in the middle of prime time. The networks schedule sitcoms in blocks, and programmers must have wondered how the audience could be expected to come out of such a flip, self-reflexive half hour and then suspend disbelief before the inanities of something like *Amen*. Once the fourth wall had fallen, how could it ever be put back together again?

They needn't have worried. Shandling's irony, like that of the audience, isn't as subversive as all that. Indeed, *It's Garry Shandling's Show* is as much a celebration of the sitcom as a send-up. What Shandling has figured out about television today is that you can have it both ways—admit the contrivance, yet still involve the audience in your characters and their predicaments. Nowadays irony doesn't necessarily chill emotion.

Shandling and his generation of TV ironists are onto the fact that even *Amen*'s viewers never really suspend disbelief. Distracted, stepping in and out of the room and the story, they're willing to accept the situation of the conventional sitcom as the price of the jokes. There's no illusion left to protect.

The most successful sitcom stars already grasp this fact of life. Bill Cosby and Bob Newhart may not look directly into the camera, but they maintain a certain ironic detachment all the same, one foot in their TV living rooms and the other in our own. Indeed, this stance is the source of their considerable credibility.

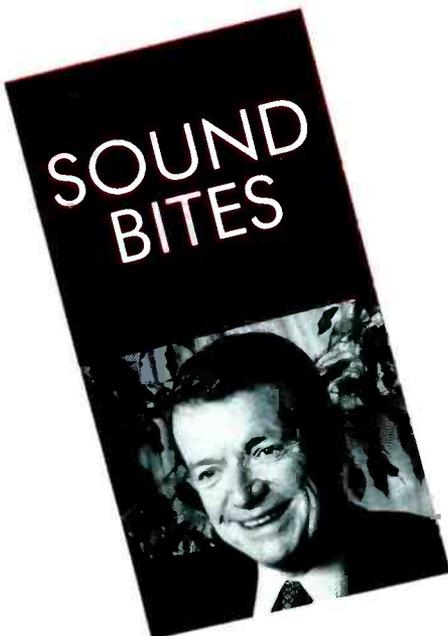
What Garry Shandling has done is to take the next logical step, formalizing what had been a winking understanding between a television performer and the audience. Neither party need take things seriously for them to work. And now that Shandling has demonstrated that the sitcom and the anti-sitcom might profitably occupy the same half hour, it can't be long before the networks start chipping away at the fourth wall in earnest.

Welcome to TV's ironic age. ●

Leahy's Line: Sell Networks' Strength

Moving products is what we're here for and that's what we do better than anyone else, says the CBS-TV president.

Three of CBS's biggest headaches come under the jurisdiction of CBS Television Network president Thomas F. Leahy. He oversees ad sales in this slow-growth period for the big networks. He supervises the network's affiliate relations during a period of increasing strain. And he also looks after its latest breakfast-time venture, The Morning Program. (The relatively untroubled overseas syndication division also reports to him.) Leahy joined CBS in 1962 as a network time salesman, moving up through sales positions to manage WCBS-TV, New York and then the CBS-owned stations division. Until a reorganization last December, he was executive v.p. of the Broadcast Group, overseeing CBS Entertainment as well as the TV network. He spoke recently with Channels editors Les Brown and Steve Behrens.



WHY TWO NETWORKS MAY LOSE MONEY IN '87

Costs lag behind the growth of the economy and advertising. When the economy is up, your costs don't grow as fast. And when the marketplace drops, your costs don't stay in a reasonable relationship to sales. Costs don't drop overnight. Ordinarily once you cover your costs, all of the additional money falls right to the bottom line. For example, if you talk about 1984, which was a giant year, the three networks had revenues of more than \$6 billion and profits of 10 percent of that. It's a small margin. But '85 was a down year and '86 was close to flat. When you don't have market growth, just covering your costs becomes a major effort. It's very hard to roll back costs. That's what we're doing now.

A NEW REALITY COMES TO THE AD MARKET

When there were only three players in network television, the sheer auction pressure drove the value of airtime sky-high over a period of years. The cost became intolerable to advertisers of consumer goods. So they were forced to look elsewhere to bring down the cost of advertising. They opened a totally new market in barter syndication. And while that was happening, cable was developing at its own speed.

The advertisers' interest in buying cheap television fed the growth of cable and barter syndication. We were competing with media that really did not deserve to compete with us except that you could judge them by dividing households into dollars, or demographics into dollars, the same way you judged network television—with CPM.

Now we have to get back to selling the

value of network television. It is the strongest marketing tool known to mankind. We had stopped talking about its value and only talked about how "efficient" it is, about CPM. We should talk to clients about moving products, about the environment in which their advertising appears and the kind of people they're reaching, not about making "efficient" buys in terms of numbers of eyeballs.

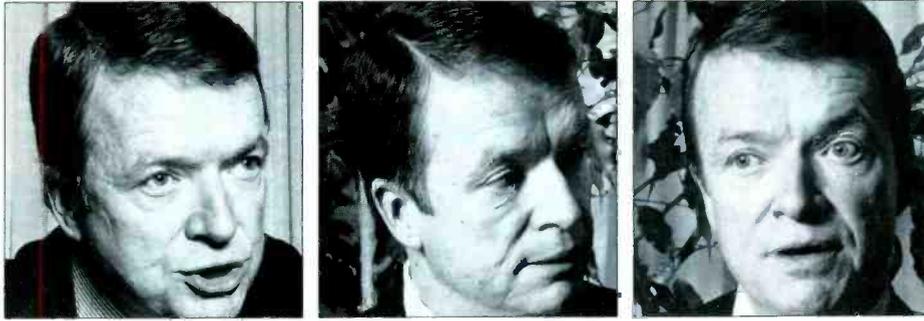
The people who understand the strength of network TV are no longer necessarily there. It was easy to talk with somebody who knew that the product moved off the shelf within two days after the show was on the air. We have to go to the client and to the agency planning people and start talking about what we're all here for—moving products.

The honeymoon is over for these new media because the failure of advertisers' products is causing them to return to the security of network. But barter syndication has been institutionalized as a business. Cable is a business. They will never go away. We're going to have to deal with them. We are not in a closed environment anymore, and we have to be sensitive to how much of a rate increase a client can absorb.

THE EXTRA COST OF REPEATS

We're evaluating all the costs of our network, such as increasing the number of repeats. But, with so many people who have 36 buttons to play with and so many opportunities to leave us, one could make a case that the way to run a network would be to keep the network as attractive as possible by having as much original programming as possible. That would make more repeats a hard thing to justify. Some shows repeat better than others. With a game show, sometimes you don't know if it's first-run or third-run.

JAMES DILLON



'One question is whether home shopping is here to stay. If the audience participates, why shouldn't we present it?'

But prime-time serials like *Dallas* or *Falcon Crest* don't repeat well. The viewer was locked to the original run with an intense interest as to how the story developed, but the repeat dies.

GUARANTEES AND THE PEOPLE METERS

Nobody knows how we're going to make the jump from the current Nielsen system—the diary system—to the people meter, and still maintain the way we do business. The problem probably comes up whenever a client and a broadcast person sit down for lunch. Everyone is in a quandary.

In the past, guaranteeing the audience size and demographics to an advertiser was a risk you absorbed based on your knowledge of your programming and how people reacted to it and general business conditions. When all of that is out the window because the game has changed, I don't know how we, as a network, are going to be able to make those same commitments. The industry is grappling with how to make the transition, and I'm grappling out loud, so to speak.

HOME SHOPPING ON CBS

There are discussions about home shopping on the network all over the place, in various dayparts. You'll see it on the owned stations starting in June. I guess one of the real questions is whether home shopping is here to stay. If the audience is going to watch it and participate in it, why shouldn't we present it? That's the business we're in. But it's new. No one is going to jump in head first.

If you make a deal with the home shopping operator who gives you a percentage of his take, and the operation is successful, the numbers are awesome! They're awesome even when they're doing less

than a 1 rating on a UHF station. What could happen if they had a network's potential audience?

But there's a trap you get into in evaluating any new business: You start a cable network on the reasoning that if you get a 1 percent penetration on some large base number, you'll have a giant business. Well, it doesn't work out that simply.

REACTION TO THE MORNING PROGRAM

Everybody who's been around this business understands that when a show of that nature comes on the scene, taking turf that previously belonged to the news division, you're going to get a certain predictable reaction from *some* in the journalistic community.

It turns out the trade papers gave us a very good review because they understood the *business* that we're in, and they weren't dealing with any of the larger issues of "saving the Republic."

The affiliates understand that the program is new and that the *Today* show and *Good Morning America* were trashed when *they* first came on the scene. And the affiliates are willing to stay with the show and watch it grow because, if it develops, it will be a very valuable franchise in that daypart. It attracts a valuable demographic—a younger audience. We already see in preliminary information that we're losing our audience that's 55 and older and we've had dramatic increases in 18-to-49, the category most of the advertisers are looking for.

PERSONALITY TV

The Morning Program is personality television. The viewer should enjoy being with the people. It should be interesting to see what those people are doing today. We wanted viewers to say, "Hey, did you

see what happened this morning?" Sort of the Jack Paar concept when he had Genevieve and Dodie Goodman.

If you watch *The Morning Program* for two weeks, you understand Mariette Hartley's and Rolland Smith's roles. He is the stability. He's the audience's surrogate if there's something really embarrassing—and, you know, in live television that can happen. There's a sense of honesty about him. You're allowed to do most anything within good taste on television if you're honest about it. Mariette is the hot spot, the talented driving force. She lights up that stage when she's on it. She has excellent instincts and now she's feeling much better about how she's conducting herself. She admits she was hyper in the beginning. We all were! When you're nervous, you're hyper. You want to please.

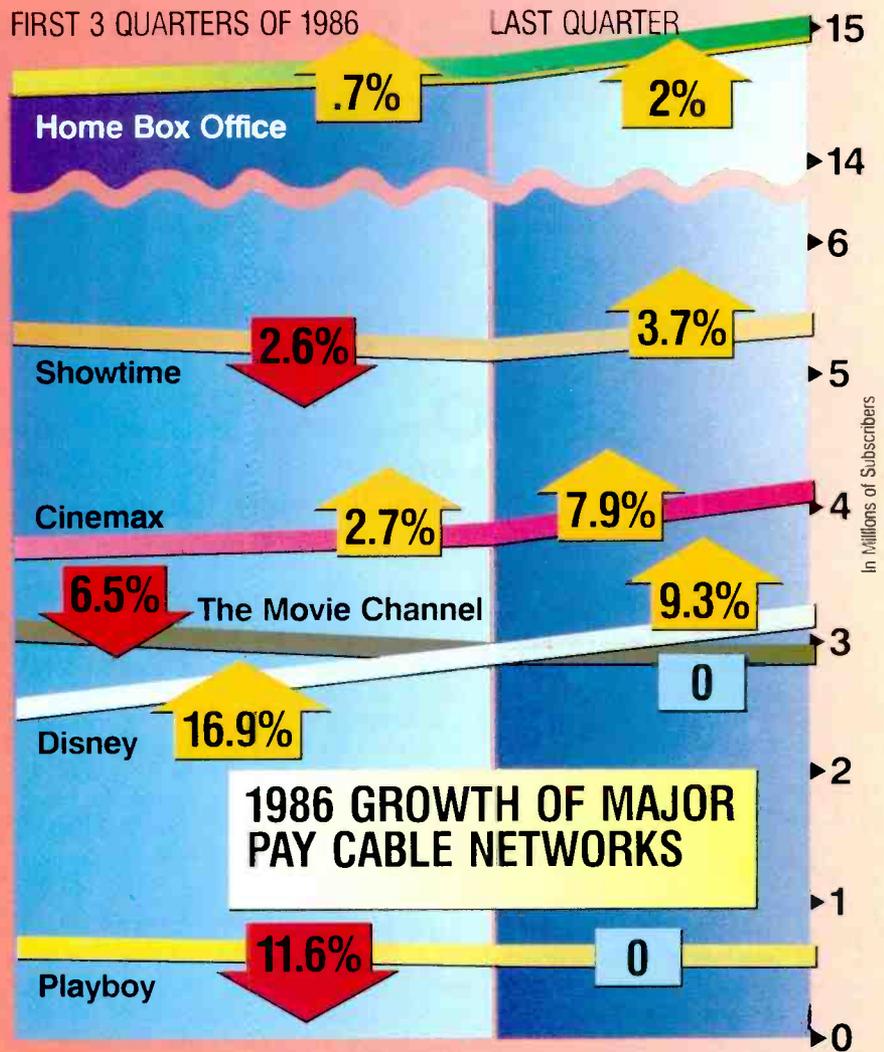
RESEARCH, NEWS AND THE MORNING PROGRAM

Did we research what we have on the air? The answer is no. But we *did* research the attitude that viewers want to prevail in that time period. Research told us that they didn't want a steady diet of hard news. News, by its nature, has a negative tone to it. When grouped together, news reports are a little depressing. Now we're getting a lot of mail that says, "You know what? It's nice to go off in the morning on a high note." At the same time, you must remember that the *CBS Morning News* is still available to stations from 6 to 7:30, and the hard news block has done very, very much better since *The Morning Program* came on the air. And the inserts we have at 7:45 and 8:15 are produced by the news division. So we're not talking about walking away from the fact that the viewer must feel the Republic is safe. ●

RUNNING THE NUMBERS

Pay Channels' Spurt

Pay cable's fortunes sagged for most of last year, but the final three months of 1986 saw a turnaround. Paul Kagan Associates says the six major pay networks ended '86 with a net gain of 1.26 million subscribers (4.2 percent). Growth picked up in mid-year, but four fifths of the gain came in the final quarter when Time Inc.'s HBO and Cinemax together picked up 600,000 subs and The Movie Channel stopped its subscriber hemorrhage. The Disney Channel led the charge with strong growth all year, adding 690,000 subs for a 28 percent increase. Kagan credits HBO's free installation offers and direct-mail blitz as well as Disney's price cutting. (Source: Kagan's *Pay TV Newsletter*.)



DUPLICATOR AND OWNERS	MONTHLY CAPACITY IN UNITS	MAJOR VIDEOCASSETTE LABELS	1986 MARKET SHARE BY UNITS
VCA/Technicolor (McAndrews & Forbes Holdings Inc.)	3 million	Vestron, MGM/UA, Disney, Warner, Sony, Embassy	25-30%
Bell & Howell/Columbia Pictures/Paramount Pictures Video Services	More than 1 million	Paramount, MCA, RCA/Columbia, Western Publishing	19-23%
CBS/Fox Video	1.8 million	CBS/Fox, Key Video, Playhouse, Worldvision	15-17%
Creative Video Services (NCB Entertainment)	850,000	IVE labels, including Family Home Entertainment, USA, Monterey	6-8%
GTK Duplicating Co. (Goodtimes Home Video)	2.5 million	Goodtimes, Kids Klassics	6-10%

Capitalist Dupes

It's one of the most concentrated sectors of the TV industry: videocassette duplicating. And the top three companies, which manufacture 60 to 70 percent of prerecorded videos, are riding a skyrocket. Duplicators will make some 118 million cassettes this year, 43 percent more than in '86, and ring up sales totaling \$614 million, up 29 percent, according to a new Knowledge Industries study. Each of the two largest duplicators keeps 10,000 slave VCRs churning out tapes. Much of the growth is in "sell-through" cassettes priced for mass merchandising at \$29.95 or even \$9.95 each. And duplicators make those prices possible by continuing to cut their prices—this year, to a per-unit average of \$5.20. For 1987, a new contender will be VCA/Teletronics, a management-owned spinoff operating several former VCA/Technicolor facilities. (Sources: *Home Video Publisher* newsletter and the report *Home Video Publishing*, both from Knowledge Industries Publications.)

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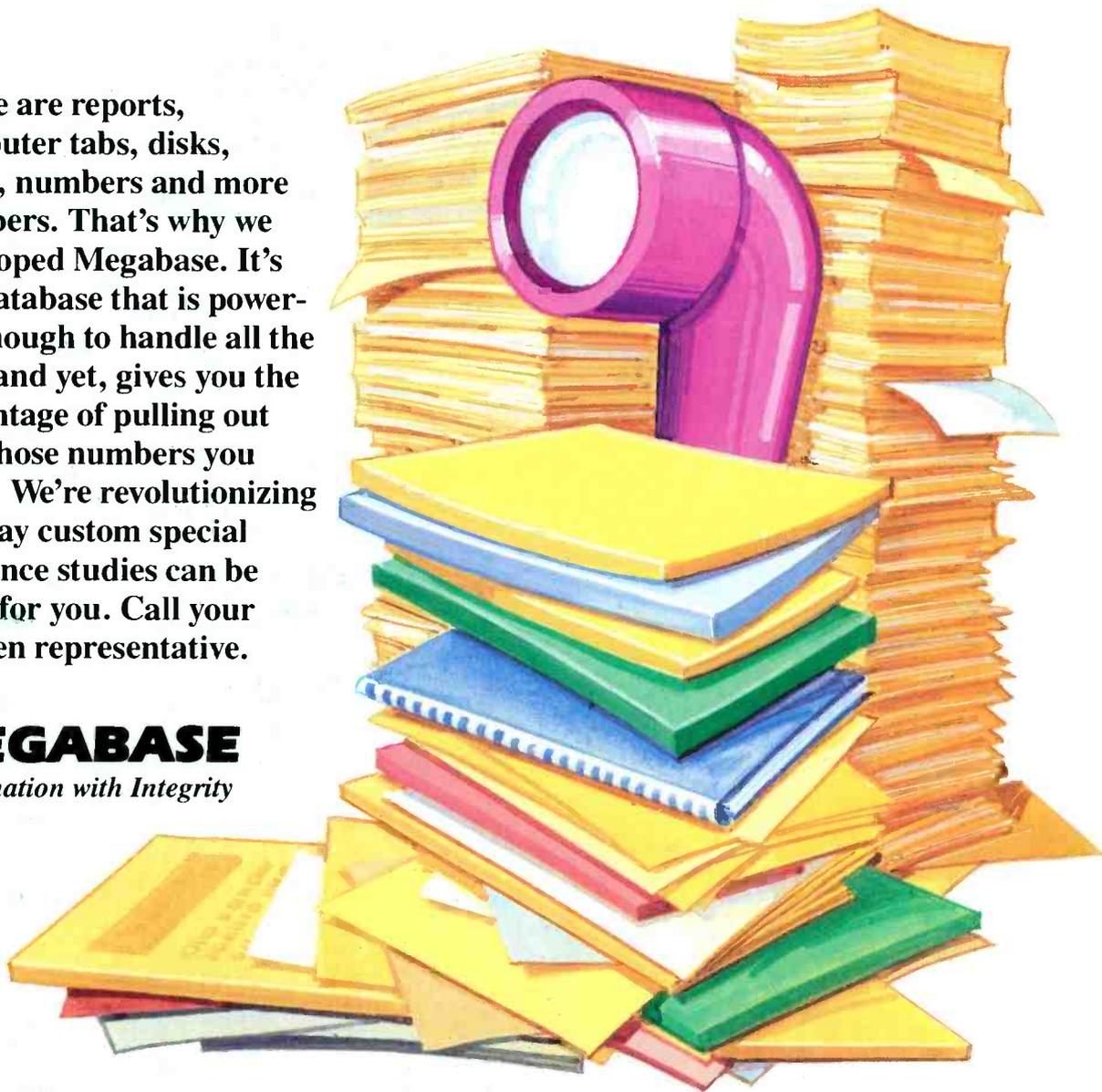
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