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January 1990
The Business of Communications
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NEWS
REPORTS
Long-term problems for financial research... Party par excellence.

MARKETING/PROMOTION
All the News That Fits
A Sacramento station builds on its reputation for news. BY RICHARD KATZ

RATINGS & RESEARCH
TV's Missing In Action
Tapping an untapped resource: the out-of-home viewer. BY MICHAEL COUZENS

SALES
A Really Big Show
Craig Millar schools Great American Broadcasting in event marketing. BY JACK LOFTUS

IN FOCUS: REDEFINING INDEPENDENT TELEVISION
INDEPENDENT TV's NEW LOOK
- COVER STORY: Twenty-first Century Fox,
  BY ALEX BEN BLOCK
Boardroom Battles at Fox, BY ALEX BEN BLOCK
Stationary Targets, BY FRANK LOVECE
Indies Write Chapter 12, BY JOHN F. BERRY
Chart: Newly Independent

CABLE
FACING OFF OVER REGIONAL SPORTS
SportsChannel and Prime Network's fight for sports supremacy is driving rights fees up and piquing Washington's interest. BY ADAM SNYDER

REGULATION
THE TRIALS OF RKO
How not to run a broadcasting empire, how not to license stations. BY ELIZABETH JENSEN

WHAT'S ON
A MONTHLY CALENDAR

NEWS CHANNELS
THE OTHER TV DISH
Making money from newsroom gossip. BY J. MAX ROBINS

THE BUSINESS SIDE
ANY MORE GILLETS?
A moral for the '90s. BY MERRILL BROWN

TECHNOLOGY MANAGEMENT
CHANGES IN THE WEATHER
Graphic improvements in TV weather machines. BY MICHAEL BURGI

MEDIA DEALS
NOT JUST A BROKER
Robert Brown looks overseas for investors. BY PAUL NOGLOWS

DATABASE
VCR's R Us, ad spending trends.

SOUND BITES
From an interview with King World's Av Westin.

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THE SMOKING SPEEDWAY
The racetrack is Marlboro country.
$40,000,000

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a limited partnership formed to purchase the NBC Television affiliate in Davenport, Iowa.

Broad Street Acquisitions Corporation
General Partner

$ 24,000,000 Senior Notes
$ 5,000,000 Floating Rate Notes
$ 4,000,000 Revolving Notes
$ 7,000,000 Senior Subordinated Notes

Direct placement of the above Notes arranged by the undersigned.

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527 Madison Avenue Suite 1400 New York New York 10022
(212) 371-6544

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Senior Notes
Subordinated Notes
Preferred Stock
Common Stock

The undersigned acted as financial advisor in the arranging of the above Notes and securities.

CHARTERHOUSE MEDIA GROUP
527 Madison Avenue Suite 1400 New York New York 10022
(212) 371-6544

$5,750,000

Broad Street Television, L.P.
a limited partnership formed to purchase the NBC Television affiliate in Davenport, Iowa.

Broad Street Acquisitions Corporation
General Partner

$5,750,000 Limited Partnership Interests

Direct placement of the above securities arranged by the undersigned.

CHARTERHOUSE MEDIA GROUP
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(212) 371-6544

$62,000,000

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$ 1,500,000 Revolving Credit Facility

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has sold
GPI Publications

to
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Century Broadcasting Corporation

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Long-running syndication hits like "Barney Miller," "Happy Days," "M*A*S*H," and "Three's Company" had this special quality while on the network. And, so does the whole Warner Bros' line-up of sitcoms for '90-'91.

Unfortunately, many high-priced comedies available for stripping just don't have this essential ingredient. Which increases your risk. But, with "ALF," "Head of the Class," "The Hogan Family," and "Perfect Strangers," your sitcom investment is safe.
We've Got It.

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The Hogan Family

ALF

Head Of The Class

Why make a hit or miss decision, when success is guaranteed with us? Ask your Warner Bros. rep to show you how past history can ensure a secure future, for many seasons to come.

Funny Shows.
Serious Business.

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Alien Productions

HEAD OF THE CLASS
Eustis/Elias Productions

THE HOGAN FAMILY
Miller/Boyett Productions

PERFECT STRANGERS
Miller/Boyett Productions

WARNER BROS.
DOMESTIC TELEVISION DISTRIBUTION

www.americanradiohistory.com
Investing in Media Just Got Tougher

Wall Street reins in research efforts.

The job of a Wall Street media securities analyst has gotten a lot tougher in recent years, and in ways that may deter investment in media stocks.

Deregulated (and increasingly smaller) brokerage commissions on stock transactions have led brokerage firms to shift emphasis and dollars out of their research departments, which are viewed as cost rather than profit centers. And the speculative fever infecting the market has made archaic the concept of long-term investing, once the analyst’s stock-in-trade.

“It’s a very unfortunate development for the business of investing, but the problem is we don’t have a business of investing in this country,” says Anthony Hoffman, former Wall Street securities analyst and president of Hoffman-Schutz Media Capital, an investment banking firm. “We have a business of short-term trading. The whole focus today is not on picking stocks that will grow for the long term, but on picking stocks that will have a rapid rise so you can sell and put the money in something else.”

Working analysts do not dispute Hoffman’s contention; today, picking near-term performers that generate trading and profits often takes precedence over following companies for the long haul. “There’s much more emphasis on stock picking as opposed to maintenance research,” says analyst Dennis McAlpine of Oppenheimer & Co. “It’s an evolution. Since we don’t do the traditional maintenance [following and holding a stock over time], I’ve got to pick stocks that are going to make money. I hope it isn’t a short-term pick, but it tends to be on occasion.”

Such a development may have a long-term impact upon the quality and quantity of research produced by the Street, which players both large and small rely on to guide their investments.

Analyst John Tinker of Morgan Stanley & Co. says the problem is that because brokerage firms no longer earn large commissions from stock transactions, there’s more pressure on analysts to bring in investment-banking business, with its substantial fees. But that creates a problem in itself. “You lose your objectivity,” Tinker explains. “Investment bankers are expected to be enthusiastic about the company—they’re there to promote it, that’s what you pay them for. Analysts are meant to be objective. They’re meant to assess whether a management will be successful or not. They say, ‘Yes, I buy this’ or ‘No, I don’t,’ and then tie that into earnings projections and valuations.” But as firms become more investment-banking oriented, “that lowers the quality of research,” Tinker says.

Media companies, although still more widely covered than those in many industries, will feel the impact of such adverse developments—especially smaller firms, which will find it increasingly difficult to get their story told.

The media investor clearly has the most to lose. McAlpine says: “You won’t be able to afford to do the in-depth research, so you’ll have to do more surface work, which means there are going to be more surprises.”

A New ‘Public Service’ Borders On Exploitation

CritiKid cashes in on parents’ fear.

Fear sells. Makers of horror films have known that for years. It’s no different in real life, where advertisers and television stations are cashing in on parents’ biggest fear: missing children.

TV stations are signing on with The CritiKid Network, which operates near Chicago. CritiKid takes just about any information you want about your child and etches it into a microchip that can be sewn onto a shoelace or some article of clothing. Parents pay up to $9.95 for the service.

But a microchip isn’t all the kids get. They get a dose of the real world—advertising for everything from hamburgers to pop, sent directly to them at home. CritiKid uses its mailing list of kids’ names and addresses to bring advertisers into its network. The ID tag is packaged into a book of coupons, and that’s where CritiKid makes money.

TV stations cash in on the action by establishing local CritiKid clubs, selling on-air sponsorships, bringing in local retailers and spewing more coupons directly into the home. “This is outrageous,” warns Peggy Charren, president of the consumer group Action for Children’s Television. “The corporate world has flipped its lid. Children have become just another commodity.”

Not so says Jeff Davis, president of CritiKid, who originally set up the network in association with hospitals. He now has eight TV stations on the CritiKid Network. In Boston, WCVB-TV general sales manager Deborah Sinay is selling advertisers on the idea of “making a difference in kids’ safety.”

Other stations signing up for CritiKid include KMBC-TV Kansas City, WFAA-TV Dallas, KAKE-TV Wichita, WFRV-TV Green Bay and WKOW-TV Madison.

No matter how well intended, however, Charren is turned off by the melding of fear, children and advertisers bombarding children with coupons. “When they start increasing corporate profits based on how many coupons they can put into a child’s home, that’s too much,” she says.

Jack Loftus

A young shopper and his CritiKid.

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HOT.
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21 JUMP STREET has all the action and excitement of Hunter and more...

- More Young Women!
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87% under 50...
Better than any sitcom!

21 JUMP STREET
A Stephen J. Cannell Production

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Celebrating Excellence

As part of Channels' sixth annual salute to excellence in television, the seven honorees (profiled in Channels' November issue) stepped away from the creative grind long enough to gather with industry friends at the Yale Club in New York in a celebration of their achievements and the state of the TV art.
MORE HEAT TO COME!

WISEGUY

A Stephen J. Cannell Production
THE ATTACK OF THE RATINGS GIANT!

SEE...
HOW SHE IMPROVES MORE TIME PERIODS THAN WHO'S THE BOSS OR GROWING PAINS!

HEAR...

CRUSHING
KCBS NEWS, AS SHE BECOMES THE "1 INDY IN LOS ANGELES"

Clobbering
SEE AFFILIATE
HOW SHE DOUBLES HH SHARE IN DALLAS!

SENSE...

THE COMPETITION'S FEAR AS SHE TRIPLES W18-34 SHARE IN SEATTLE!

CONQUERING HOUSTON, AS SHE GAINS 67% YEAR-TO-YEAR!

THE SMALL WONDER THAT KEEPS ON GROWING!

GET HER BEFORE SHE GETS YOU!

Pucks and Pigskin

BY RICHARD KATZ

JANUARY 14: The Awards for Cable Excellence (ACE) airs live on the Black Entertainment Network, The Family Channel, Nick at Night, The Discovery Channel, Lifetime, TBS and TNT telecast from the Wilshire Theatre in Los Angeles. This year, HBO’s annual nominations landslide totaled 103 of the 338 award nominations in 82 categories. Showtime was next with 21, and The Disney Channel followed with 23. HBO’s Tales From the Crypt is a good bet to win a few of its 16 separate nominations, but underdogs like The Travel Channel’s The Perfect Trip—English Countryside, with one nomination, are hoping for upsets. The awards telecast is produced by dick clark productions.

JANUARY 15: To commemorate the civil rights leader’s birthday, TBS will air the Martin Luther King Parade live from Atlanta at 1:05 PM EST. Sammy Davis Jr. is the parade’s grand marshal. Other celebrities and dignitaries in attendance will include General Colin Powell, chairman of the Joint Chiefs of Staff, and Blair Underwood, star of L.A. Law.

JANUARY 15-19: The National Association of Television Program Executives marches into New Orleans for its 27th annual convention. One highlight is sure to be a session called “PrimeTime ’90s: Movers and Shakers,” moderated by Murphy Brown star Candice Bergen, who, in the December Playboy magazine, expressed sympathy for the hard lives of the real newswomen on whom Murphy Brown is based. “The women who really do what [Murphy Brown] does,” says Bergen, “are so despondent that the landscape of their personal lives is so bleak. I don’t know any women in that position who haven’t paid a very high price.” But on the subject of local TV newsmen, Bergen says, “I’d kill myself if I had to go out with a guy who did that to his hair. . . . Do they sleep with it like that? Is it fiberglass? Give me a break.”

JANUARY 20: The 32nd annual Alido Awards Competition, sponsored by the Men’s Fashion Association of America, recognizes electronic and print journalists for excellence in men’s fashion coverage, hits the Biltmore Hotel in Los Angeles with a black-tie dinner. Two of last year’s winners were Pat George for her CBS This Morning segment on Italian clothing and Steve Ober for his A.M. Los Angeles piece on KABC previewing spring fashions. Larry Hotz, spokesman for the MFA, an umbrella organization that promotes men’s wear on behalf of the men’s apparel industry, says that 14 judges chosen from the ranks of academia to ensure neutrality sift through hundreds of entries from such shows as Oprah and Geraldo.

JANUARY 21: For the first time in almost ten years, a broadcast network will air a National Hockey League game. NBC has chosen the relatively dead Sunday afternoon between the NHL Championship and the Super Bowl to broadcast hockey’s All-Star Game. NBC has the NHL package in the early ’70s, but according to NBC spokesman Doug Kelly, “Nobody in the South watched and not many people in the West watched. Our affiliate in Atlanta, which had a team [the Flames], didn’t even carry it in those years.”

Taking a page from what TBS and CBS have done in recent years to drum up interest in the NBA All-Star Game, SportsChannel America, which includes the All-Star Game, and is half-owned by NBC, will air a skills competition and a hockey legends game, Heroes of Hockey, the day before. SportsChannel spokesman Dan Martinson anticipates heavy broadcast/cross-promotion activity and he thinks this “event” treatment over the weekend will generate interest in the actual All-Star Game.

JANUARY 28: CBS begins its domination of major sporting events on broadcast television with Super Bowl XXIV. The only network with no strong corporate cable ties, CBS has exclusive network broadcast rights to all Major League baseball, including playoffs, All-Star games and World Series, through 1993, the 1992 and 1994 Winter Olympics and the NCAA Basketball Tournament through 1993. Hal Trencher, CBS vice president, sports, marketing and sales, says “90-second Super Bowl spots cost advertisers an average of $700,000, up $25,000 from NBC’s price last year, and says all spots were sold by early November. He predicts 28 minutes of ads will air during the game. Last year’s game scored a 43.5 Nielsen rating, reaching an estimated 111 million viewers, but Trencher says that CBS does not guarantee ratings to advertisers. “We’ve been pretty successful getting away from the guarantee business,” he says. “We don’t want our advertisers to get hurt, but this is definitely the direction we’ve been going.”

CALENDAR


Jan. 25: 8th Annual Women in Cable Awards. Park West Hotel, Chicago Contact: Shirley Hill, (312) 990-8999.


Feb. 6-7: Arizona Cable Television Association annual meeting. Hyatt Regency hotel, Phoenix, Ariz. Contact: Susan Bitter Smith, (602) 257-9338.
DISCOVER THE MANY SIDES OF THE MOUNTAIN...
There's more to the Paramount mountain than meets the eye.

We've got top-rated first-run hours like STAR TREK: THE NEXT GENERATION, FRIDAY THE 13TH: THE SERIES and WAR OF THE WORLDS as well as perennial favorite ENTERTAINMENT TONIGHT. And, with newcomers such as HARD COPY, THE ARSENIO HALL SHOW and THE JOAN RIVERS SHOW, our mountain is filled with natural wonders, unexpected delights and fantastic surprises.

But that's not all. The mountain is loaded with laughs, too—with comedies like CHEERS, FAMILY TIES, WEBSTER, the Ace Award-winning BROTHERS and, of course, our
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Journey further and you'll find even more. Daily explorations into real life on GERALDO. A series of captivating one-hour MARY HART SPECIALS. A heart-warming TV movie, THE KID WHO LOVED CHRISTMAS, an original two-hour Eddie Murphy Production, as well as our incomparable movie package, PORTFOLIO XIII, featuring Top Gun, Crocodile Dundee and The Untouchables. So let the adventure continue. Discover the many sides of the Paramount mountain.
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War Of The Worlds
Brothers
Cheers
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Webster
Comedy Classics
Prime Time Specials
Dear John
Portfolio XIII
A Tough Newsletter For Today's Tough Competition

You’re in competition with other media for local advertising dollars.
You’re in competition with other local television stations and cable systems to sell air time.
You’re in competition with everybody to get a chunk of national advertising budgets.

Today it’s tougher than ever for local television stations and cable systems to gain ground on the competition. And it’s easier than ever to lose ground in the race for advertising dollars. That’s why Channels Magazine created MARKET SHARES, the first newsletter designed to help local stations and cable systems sell and market themselves on a local level.

A YEAR’S WORTH OF IDEAS.

26 times a year MARKET SHARES keeps you up to date on television’s most innovative local sales and marketing efforts. You’ll get to know the thinking that went into these promotions...the people behind the ideas...even who to contact for more information. You’ll learn how target marketing can help you prove to advertisers that your station is the place to put their money. And you’ll also be spurred on to create new ad sales strategies expressly for your market and your standing in the local marketplace!

JUST $175 A YEAR.
You know what marketing can cost. And you know what undermarketing can cost! Compare that to our low fee of $15 a month! Pick up just one idea a year in MARKET SHARE$ and your subscription pays for itself in savings and profits.

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We’ll send you your first three issues before you ever see a bill! Then, if MARKET SHARES hasn’t become ABSOLUTELY ABSOLUTELY indispensable to you, simply write “CANCEL” on the bill and pay nothing. You’ve nothing to lose...and valuable market share to gain! Complete the attached card or call 212-545-5139.
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Nobody knows more about marketing television than the editors of MARKET SHARES.
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All The News That Fits

Sacramento's KCRA goes around-the-clock to boost its image as the local news leader.

BY RICHARD KATZ

By adding 32 hours of news to its already heavy news lineup and bumping the Saturday morning network feed, Sacramento, Calif., NBC affiliate KCRA has fueled talk that the network/affiliate balance of power is tipping toward the stations. But national issues are not uppermost in the minds of KCRA's management. They don't think their bold move makes them network renegades; they see the addition of overnight and Saturday-morning news as the culmination of a 30-year marketing plan.

In 1956, says KCRA general manager John Kueneke, locally- and family-owned Kelly Broadcasting Co. decided that news would be the station's highest priority. It was more than 20 years ago that KCRA coined the on-air slogan, "Where the News Comes First," it still uses today. "Consistency has been one of our great strengths," says Kueneke. "There are very few stations in the country that have kept with the same on-air slogan for so long and lived up to it. News is the cornerstone of KCRA."

Sacramento Bee TV critic Bob Wisehart may not think that KCRA invariably lives up to its publicity, but he has nothing bad to say about the station's news marketing muscle. "They are great at promotion," he says. "Take their slogan, 'Where the News Comes First'—they've hummed away at it for so long that there are a hell of a lot of people around here who believe it even if it's not true sometimes."

Because of this established reputation for news, KCRA promotion director Randy Hoffman doesn't see building awareness for the added newscasts as a major challenge. The overnight news bowed Nov. 27, the Saturday block starts Jan. 6. During November and December, the station kept a low profile promotionally while getting the bugs out of the new newscasts. But beginning this month, KCRA shifts into heavy on-air promotion. "It will just be an extension of what we are already creating for our other shows," says Hoffman. "It just means new tags or a different-day version for spots that are already created." Hoffman was saved from creating a plan to diffuse criticism for dropping the Saturday kids block when NBC announced its intention to sell the block to one of the market's indies.

"The goal of the campaign," continues Hoffman, "has to be first to enhance our image as the news leader in the market." For memorable image packaging, all of KCRA's newscasts air under the banner "Channel 3 Reports." To supplement its on-air promotion, the station will also run a series of image-oriented newspaper ads.

The second goal, says Hoffman, "is to use it as a competitive advantage—no other station in the market puts more resources and commitment into news than KCRA does." Wisehart doesn't doubt KCRA's financial commitment, but he's not convinced that this alone has made the station so dominant in the market. In the July Arbitron sweeps, KCRA's 11 P.M. news earned an 8 rating/32 share, matching the combined rating and share of the other affiliates.

"Part of their success has been that their news has been pretty good over the years," asserts Wisehart, "but the other part is that there's not much competition here. Nobody has taken a good long run at them."

The competition is the first to agree. "As far as Sacramento goes," says Cyndie Reynolds, creative services director at KOVR, the market's ABC affiliate, "both KXTV (CBS) and KOVR have no image, no niche in the market at this point in time. KOVR was bought by Anchor Media last January and has, according to Wisehart, cleaned house and started over.

In this competitive void, KCRA's attempt to become the local CNN of Sacramento is more smart than gutsy. Craig Marrs, the Frank Magid Associates television consultant for KCRA, says the station is following the old dictum, "build from strength."

"As opposed to plotting a new course," says Marrs, "they are continuing the total domination of news while developing a business plan to create new revenue possibilities." KCRA now has more time to sell in the overnight and Saturday morning spots previously tied up with CNN Headline News and NBC kids block, respectively.

Kueneke, however, claims the newscasts were added purely to enhance the station's image. "It wasn't an economic decision for saving syndication rights fees or getting more time to sell—we were running mostly CNN Headline News and we retained most of that inventory. It was more a positioning decision for the future of the station."

Dann Shively anchors KCRA's overnight Channel 3 Reports. Now the station has a newscast in almost every daypart except prime time.
YOU WERE AT A CONVENTION AND HAD A ONE-NIGHT FLING. YOU'RE FEELING GUILTY.

DO YOU TELL YOUR SPOUSE?
TV’s Missing In Action

The networks begin sifting data this month that will help them track elusive TV viewers.

BY MICHAEL COUZENS

The networks’ persistent search for “lost” television viewership should make significant headway this month when Nielsen Media Research reveals the results of a $500,000 test study.

Anxious to make up for diminished TV audiences, the networks have commissioned a torrent of special reports in recent years to track a portion of the viewing population that isn’t included in Nielsen’s regular ratings reports: those who watch TV out of the home.

The latest study is exceptional not only for its size and cost, but because it is the pilot for a regular diary report on viewing in such locales as bars, college dorms and the workplace. Commissioned by Capital Cities/ABC, NBC and others, it is also the first done in conjunction with a standard report—the November 1989 sweeps.

The benefits of measuring the untapped TV watchers could be substantial. Richard J. Montesano, vice president for market research of Capital Cities/ABC, claims that about 25 million TVs are functioning away from home, or as many as one in every seven. Proponents of measuring out-of-home viewing acknowledge that the extra viewership would not increase the sign-on to sign-off numbers by more than 2 to 5 percent. However, that’s “a lot when audiences are going down,” says Gary Chapman, president of LIN Broadcasting’s TV division and chairman of the National Association of Broadcasters’ Committee on Local TV Audience Measurement.

The networks’ willingness to pay big bucks to locate missing viewers has its parallel in another industry scrambling for new sources of revenue. “As the cost of imported oil goes up, you uncap domestic resources,” says Richard Dacey, senior v.p. of research and planning at the NAB. “At some point, shale oil extraction becomes cost-effective.”

To date, advertisers have been generally unwilling to pony up more money for the viewers that the special studies unearthed, making regularly scheduled out-of-home surveys more crucial. Past studies “are not compatible, so they tend not to get used,” says Timothy Nichols, a vice president at Chat/Day/Mojo. The studies may uncover bargains, he adds, but advertisers don’t know if they’re really getting the hidden audience or if it’s desirable.

One of the largest out-of-home surveys in recent history was commissioned by ABC from R.H. Brushkin to identify lost viewers of ABC’s NFL “Monday Night Football,” using the October 24, 1988, telecast of the Chicago Bears versus the San Francisco 49ers. Nielsen reported that the game garnered some 27.6 million viewers during an average minute. But ABC’s analysis of the Brushkin phone coincidental survey showed an audience 10.3 percent larger. Bars yielded an estimated 1.5 million extra viewers. Hotels added an estimated 390,000 people, and college campuses accounted for 820,000 more.

Colleges have been analyzed repeatedly because of their concentration of a hard-to-find group: upscale young adults. A telephone survey of students, sponsored by NBC in 1987, calculated that academia, properly measured, could beef up the audience of 18-to-24-year-olds for Late Night With David Letterman by a thumping 33 percent.

Out-of-home viewers are also watching daytime TV. A 1989 study commissioned by ABC and CBS estimated that 290,000 women watched an average minute of network TV on the job.

In the near future, second homes, on-campus residences and some institutions, such as nursing homes, are likely additions to Nielsen’s eligible television universe. If the November sweeps personal diary test becomes a regular report, bean-counters will just move on to more obscure viewer hideouts.

Oakland, Calif.-based writer Michael Couzens watched the aftermath of the October earthquake on a battery-powered TV.
YOUR WAYWARD GOLF BALL SMASHES INTO A NEIGHBOR'S CAR WINDOW. THERE ARE NO WITNESSES.

DO YOU TELL?
A Really Big Show

Event marketing is the latest fad in TV sales.
But should a station sell parking spaces?

BY JACK LOFTUS

On this hot, clear Independence Day in Cincinnati, Craig Millar and 186,000 other people are massed on the banks of the Ohio River. Somewhere in the background the Charlie Daniels Band is into The Devil Went Down to Georgia; a Ferris wheel circles lazily across the sky, peering down on a sprawling complex called Sawyer Point, one of the largest recreational developments in the Midwest. Children, parents, food, candy and fun—it’s the 1989 “All-American Birthday Party,” perhaps the biggest birthday fete ever held in these parts.

For Millar, vice president of television sales at Great American Broadcasting, this Fourth of July fair represents a new kind of independence—freedom from traditional methods of selling broadcast time. He calls it “event marketing.” A broadcaster puts on an event, charges admission, sells concession rights, maybe even picks up a piece of change in parking fees.

That’s what Millar was doing last July at Sawyer Point. Great American’s Cincinnati flagship, WKRC-TV, teamed up with country-music radio station WUBE to sponsor the July Fourth bash. WUBE went it alone in 1988, drew a modest crowd of 60,000 and lost money. Enter television—the crowd tripled and profits soared.

“What we’re developing here is a new revenue stream for our stations,” says Millar. “Radio stations have been doing this sort of thing for years.” He’s surprised TV stations didn’t jump aboard the bandwagon earlier. For the past two years he’s been working the bugs out of his event-marketing strategy, first as general sales manager at WKRC, and now at Great American’s corporate headquarters overseeing the startup of similar operations at the four other GAB stations: KTSP (Phoenix), WBRC (Birmingham), WDAF (Kansas City) and WTSP (Tampa).

At Great American’s Tampa outlet, WTSP-TV general manager Vincent Barresi isn’t waiting for the corporate team to arrive. For the second year, he’s renting the Tampa Civic Center in January to co-sponsor The Bridal Fair. Exhibitors run the gamut from clothing and houseware stores to car dealers. Most also have on-air sponsorships. Barresi says revenues for last year’s Fair were “in the six figures.”

While broadcasters have become adept at various “value-added” incentives in which advertisers receive promotional tie-ins, event marketing is “leading-edge stuff,” saysJames Joyella, newly elected TvB president. “Not many stations are doing this. . . . [With value-added] you went into different pockets of the advertiser’s suit—not just media, but into promotion, corporate and PR budgets. But this idea of building whole new revenue streams with an event you created is exciting.”

The Great American script for event marketing dictates hiring a manager (who reports to the general sales manager), an assistant and three sales people, then putting them through a two-month training course designed by Millar. “It’s basically back-to-college time,” he says. He hopes to begin putting these teams in place at each station in January.

“At WKRC we started out by finding an event that was already established,” says Millar, “events we felt could grow in stature with a push from television . . . by using the station’s clout, without giving up inventory all the time and just selling cost per point.”

There’s no doubt the station business needs to find new ways to make money, says Tony Vinciguerra, general sales manager of Group W’s Boston flagship, WBZ-TV. “We’ve been putting on concerts, plays, expositions, even getting into magazine publishing for years,” he says. But Vinciguerra warns that during the gold rush, “We should not lose sight of what a television station does best, and that is to deliver a message. We are a cog in the wheel for the distributor, and our goal is to sell product for our customer.”
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WHAT IS IT?
The Other TV Dish

A San Francisco-based talent scout scours America's television newsrooms for dirt.

BY J. MAX ROBINS

Former CBS News president Van Gordon Sauter claims Don Fitzpatrick is the best raconteur in the TV news business. Everyone who knows Fitzpatrick, who puts out a daily electronic-mail newsletter with the self-explanatory monicker Rumorville USA, paints the same picture of him.

"Fitz knows where the bodies are hidden," says Sauter, mumbling something about the one Fitzpatrick told him about a TV reporter who, during a flood, threw a dog out of his boat so he could rescue the canine for the evening news.

Don Fitzpatrick is president of the San Francisco-based news talent agency that bears his name. That's his primary business and has been since the late '70s, when he began headhunting for the CBS O&Os while working for ERA, a precursor to Audience Research & Development, then continued as head of Don Fitzpatrick Associates. Fitzpatrick has been crisscrossing the country for years, discovering such news notables as 60 Minutes's Meredith Vieira in Providence and WCBS anchor Michelle Marsh in San Antonio in the course of his sojourns. Years spent scouting plugged him into virtually every TV newsroom in America.

In 1983, news consultant Ron Tindiglia, then vice president of news for the CBS O&Os, encouraged Fitzpatrick to start communicating with him via electronic mail. "With him shooting around the country, I was tired of playing phone tag," says Tindiglia.

Soon Tindiglia was sharing Fitzpatrick's page-long electronic communiques, loaded with insider dish about news departments around the country, with a passel of CBS News executives.

"It was a bunch of news guys gossiping via computer," admits Tindiglia.

"In those days Rumorville was dealing strictly in rumor and innuendo," says Fitzpatrick, who was getting a reputation as the guy who knew who was going to be hired or fired even before the person in question. "It was really libelous," he says with obvious glee. "This was just raw, gut stuff I was picking up from all over the country."

Eventually Fitzpatrick's weekly memo was dubbed Rumorville USA. It was expanded to two to six pages, marketed and sold to 40 or so news directors who had heard about Fitzpatrick's scandal sheet and were willing to pay for his dish. Since 1985, Rumorville has been a daily. As Rumorville's readership increased, however, the editorial reins were pulled in a bit. "Now when we hear a rumor that an anchor is going to be fired tomorrow, we don't put it out today," says Fitzpatrick wistfully. "We can't do that anymore without alienating a lot of our readership."

Fitzpatrick claims 250 subscribers, but the readership is much larger than that—Rumorville is a regular menu item on several TV newsroom computer systems; elsewhere the newsletter is often printed out and passed around. Subscribers pay $250, plus the $39.95 to join the Columbus-based electronic mail-service CompuServe and the $20 to $40 a month it costs to access the service.

These days Rumorville USA is a 7 to 12-page daily compendium, including hirings and firings, job listings, reprints of TV critics from around the country, plus a synopsis of articles in the TV trades. It's also liberally sprinkled with commentary from Fitzpatrick and other TV news folks about issues ranging from computer piracy to how different news organizations played a major story.

"Rumorville is really a clipping service for news managers," says Paul Smirnoff, executive producer of news at New York Fox O&O WNYW. "It's a great source for job listings." A lot of news managers, however, have been known to edit out the want ads before they give their troops access to the electronic rag.

Fitzpatrick has found a way around that. A Rumorville offshoot will give the masses easier access to what the newsletter offers, including 40 to 50 listings for news management positions each week. How? Rumorville's latest permutation: a 900 phone number. Callers can access services including a boiled-down version of the newsletter's daily commentary, job listings, and news writing and presentation tips from leading consultants. Dial 1-900-456-2626 and for $1.95 for the first minute and $.55 for each additional one, you'll get the idea. Says Fitzpatrick, "If Jose Canseco and Paula Abdul can have a 900 line why can't I?"
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Any More Gilletts?

The unfortunate 1980s chapter of George Gillett’s television gambit is closing, and it’s proving to be a tale of bold optimism, extraordinary self-confidence and financial misjudgment. It is disheartening that a man who has the potential to bring important creative thinking to the station business may have to substantially pull back from the field, one which certainly needs his marketing wisdom, flair and leadership talents.

But it is fitting that as the decade closed the Gillett TV empire tattered as a result of shaky junk bond backing and financial maneuvering inspired by none other than the kings of leveraged buyouts, Kohlberg Kravis Roberts. The only thing about the Gillett empire that’s certain as 1990 begins is that the station group won’t survive for much longer in its current form.

In a sense, Gillett’s woes are a final salute to the Reagan/Fowler era of blind deregulation and the anything-goes ’80s—another sign of an overleveraged corporate world’s fragility. And the struggle of the Gillett group to unwind its financial mess is a reminder that during the late ’80s the station business changed to an unprecedented degree.

Here’s the background. The Gillett operation, as described at the 1988 Drexel Burnham Lambert “high yield” bond conference, is broken into three groups: resorts (including the Vail, Colo., ski properties), beef packing enterprises and communications. One of the communications companies, Gillett Holdings Inc., includes NBC affiliates in Baltimore, Nashville, Salinas/Monterey and Santa Barbara. A second entity is made up of Gillett’s 79 percent equity in WTIV, Tampa’s CBS affiliate, bought in 1987 under the umbrella of a minority tax certificate. Gillett also has 55 percent equity in SCI Television, a six-station group that includes four CBS affiliates, one NBC outlet and one indie. Gillett owns the SCI group with KKR, which during its brief previous tenure controlling the group manipulated both the cash and spun out of some of the operations. In addition, four other Gillett-financed stations are held through trusts. The empire was built on the premise that the television station business, if well marketed and managed, could grow and cover more than $1 billion of debt. The situation might still make sense, although Gillett is now facing the prospect of serious losses from the restructuring of that debt and the sale of assets at values far below those he might have anticipated.

Setting aside his current troubles, Gillett has made a good impression on many in the industry. He is clever, articulate and in his passion for marketing and sales—some ways a visionary. A quick study, Gillett appears to have gained a deep understanding of the shortcomings of many other TV industry management teams. He has correctly read TV’s limited record in mastering Washington and has said all the right things about how the station business has to respond to its new competitive environment. In his bond literature, Gillett sums up the company’s “operating strategies” in just six phrases: “research, positioning, programming, commitment to local news, strengthen promotion and marketing functions, emphasize local sales.” In a presentation last year at the Cable Television Administration and Marketing Society confab, his talk on understanding customer needs was well received and to some even inspirational.

And in a 1988 interview with Channels he offered a credo that is particularly useful for private companies: “If you run a business for profit, you will ultimately start to eat quality. If you run a business qualitatively to be the best, I have never seen an example where you don’t ultimately end up winning economically.”

The tragedy is that Gillett isn’t winding up “winning economically,” even though his stations are, taken overall, better off now under his management. Bankers say cash flow has grown, just not fast enough to cover costs, particularly debt, and the net of about $175 million in principal payments said to be due last fall. If Gillett has a master plan, as 1989 closed he wasn’t sharing it with anyone except his bondholders and backers.

It’s frightening but trite in this era of overleveraging to think that a profitable business, with revenues that probably approached $900 million last year, can’t make things work, at least as currently configured and financed. Trying to run difficult businesses—requiring sound strategies and capital investment—under the handicap of huge amounts of debt is potentially disastrous. That is probably the only preliminary lesson one can take from the Gillett experience. It is one thing for a man of Gillett’s proven intelligence, wisdom and decency to wax articulate about corporate strategies. It’s quite another thing to operate real businesses, especially after they’ve been stripped of cash and, ultimately, their potential value by the likes of KKR and a marketplace turned loose by laissez-faire economics.
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Redefining Independent TV

Independent TV’s New Look

Fresh from its Chapter 11 shakeout, independent television confronts new challenges to its identity from local-origination cable channels and the burgeoning Fox network.

What exactly is an independent television station, anyway? If it’s a local programming outlet unaffiliated with ABC, CBS or NBC, then many regional sports networks and local-origination cable channels could qualify just as easily as Fox affiliates. The 128 Fox network affiliates, in fact, may stop thinking of themselves as independents before very long.

Martin Colby, vice president and general manager of XETV San Diego and chairman emeritus of the Fox affiliate board, wonders whether INTV will have to invent a new “affiliate-indie” category for participants in the nation’s fourth network. Alex Ben Block takes the pulse of the company that has done the most to change the meaning of “independent” in our cover story. “Twenty-first Century Fox.” The author knows whereof he speaks—*Outfoxed*, his book on the Fox network, hits bookstores in March. In the second part of our cover story, we present an excerpt that recreates the tension of the watershed summer of 1988, when former friends Kevin Wendle and Garth Ancier were fighting for control of the programming department and Fox chairman Barry Diller had to referee.

A second independent permutation, local-origination cable channels programmed with syndicated fare, has cable systems and independent stations at odds. Broadcasters want to know why a localized programming service with call letters and a schedule of off-net shows isn’t subject to the same regulations as any over-the-air station. Frank Lovece examines the implications of “cable indies” such as Rochester’s WGRC and Ohio’s ToledoVision in “Stationary Targets.”

While Fox plans for additional nights of programming and cable learns the station business, many traditional indies are still digging out from the Chapter 11 avalanche. In “Indies Write Chapter 12,” John F. Berry talks to bankruptcy’s survivors and successors.

And finally, Michael Burgi charts some of the important new players in what, despite its changing identity, we continue to call independent television.
Twenty-first Century Fox

It upped the value of independent TV stations and re-shaped the network ad market. Now Fox is ready to really shake things up.

BY ALEX BEN BLOCK

For two days last October, the Fox Broadcasting Company faced the threat of a no-confidence vote from its hard-won affiliates. That's when executives at a number of independent stations and station groups, including Martin Colby, vice president and general manager of XETV in San Diego, suddenly found themselves the subjects of intense lobbying by Fox competitors, who threw the accomplishments of Fox into stark relief while arguing the network was offering too little programming, too slowly.

Executives from Paramount and MCA were calling to talk about Premiere, a new satellite-delivered program service that would offer a two-hour movie each Wednesday evening and a two-hour block of original series on Friday nights—one hour from Paramount and one hour from MCA/Universal. More nights would be added later.

Some of those courted were told the new service would definitely launch in 1991, and that if they didn't agree to affiliate within the next two or three days, Premiere would be offered to a competing station, a local cable system (which could use it to create a new local-origination channel) or to the Paramount/MCA-owned USA cable network. There were carrots offered in addition to the threats. Stations affiliating right away would get preference in future negotiations for hot product like Paramount's Arsenio Hall Show.

Paramount and MCA handled the approach to Colby more delicately. He was told that the two companies had joined forces to create a "programming service," not a "network," and that if they could get sufficient station coverage, all the resources to start Premiere were in place. To reach the 70-percent coverage of U.S. TV households that national advertisers require, however, Premiere would have to clear some stations already carrying Fox network shows on Saturday, Sunday and Monday nights.

What made Colby special was his extremely close relationship with Fox. XETV had been the second station not owned by Fox to affiliate with the new fourth network at its birth in 1986, and Colby had served as head of the Fox affiliate board of governors for two-and-a-half years; he had recently become chairman emeritus of the affiliate board.

"We kicked it around with several people at Paramount," recalls Colby. "I told them I had confidence in their concept, programming and ability to follow through... which made it a damn good risk, but the fact that it could conflict with the Fox contract could be a problem."

Still, Colby was willing to consider it. "If Fox approved of their affiliates taking Wednesday and Friday nights and giving them to Paramount," says Colby, "I said I'd approve."

Instead, Fox reacted like the U.S. after the Japanese bombing of Pearl Harbor in 1941. Fox chairman Barry Diller, president Jamie Kellner and the entire Fox team mobilized to stop Paramount and MCA dead in their tracks, contacting every affiliate by telephone, telex and satellite link. The message was simple. "There was no way [Fox] was going to pioneer this and improve the value of these stations and then let somebody else piggyback," says one of the affiliate executives contacted. "They said, 'You are our outlet. If you don't play by the rules, we don't want you, even if we have no alternative in your market.'"

Within hours Fox executives were on airplanes flying around the country to hold regional meetings with the affiliates to discuss their own plans for future expansion. Fox told them that they shouldn't give up Wednesday and Friday nights, because before Premiere could gear up Fox itself would offer programming during those same time periods. A fourth night, a movie, would become weekly in mid-1990, they were told, and a fifth night of programming would be ready for fall 1990. A sixth night would be added for June 1991 and the seventh night would start around December '91. "And even that could be speeded up," says Peter Chernin, president of Fox Entertainment and head of production for the network.

"What it did was to formalize plans [for additional nights of programming] that previously were less formal," says Colby. "That was in the plans all along, but the approach had been a little more leisurely."

As it turned out, not a single Fox affiliate took the bait from Paramount and MCA, and the Premiere network collapsed within 48 hours. They held firm for a simple reason. "We stood with Fox because Fox is working," says Michael Fisher, v.p. and g.m. of KTXL Sacramento and the current chairman of the Fox affiliate board.

Paramount and MCA have never officially admitted there was a fifth network effort. But it isn't hard to understand their motivation. Fox, along

Back-end success: Married... With Children.
Redefining Independent Television/IN FOCUS

Fox chairman Diller: "Do you want to be a pathetic program supplier" or do you want to see the future and act accordingly?"

with the growth of cable, the VCR, satellite broadcasting and other independent stations, has radically altered the television landscape.

Each time Fox programmed a night on a formerly independent station, it meant less time available to program syndicators for sales. Fox’s growth coincided with a sudden leveling in prices paid for syndicated shows, and in some cases a drop in prices for all but the hottest off-net series.

Fox also created a new tier in advertising sales. Fox came in charging about 20 to 25 percent less than the Big Three networks for every thousand households tuned in, and today typically gets about 10 to 15 percent less than ABC, CBS and NBC. That’s 20 percent above what even the most successful syndicated shows get, meaning that first-run hits such as Paramount’s Star Trek: The Next Generation and MCA’s Charles in Charge had to settle for less money for each 30-second spot.

Launching a fifth network would at least allow frustrated execs at the two firms to regain rate parity with Fox. “Paramount and MCA approached this like film salesmen coming in to hustle a television station,” says Diller. “They had looked at our [advertising] price per point and decided if they were a network they could get the same. They don’t realize what it took to get that price. They don’t realize how long it took to change the way we were viewed in the eyes of advertisers and all those relevant communities. And we’re still not there.”

Paramount and MCA may have thought they could exploit the Fox affiliates’ desire for a faster roll-out of prime-time programming; they didn’t understand that it couldn’t be just any programming. The impact of the Fox network as a single identifiable source for the programming has become important as well. It’s part of the “halo” effect that benefits Fox affiliates, making them more recognizable to the community and to advertisers.

“We call ourselves ‘Fox 30.’ It gives us a better identification in the market,” says Barry Baker, CEO of Atlantic Broadcasting, which operates KDNC-TV St. Louis. “Our viewers understand what Fox is. So at a time of a lot of changes, Fox helps.”

The Fox attraction is especially important to newer independent stations, and almost all of those are on the less popular UHF spectrum, channels 14 to
IN FOCUS/Redefining Independent Television

83. As of November 1989, there were 128 Fox-affiliated stations in the U.S., reaching about 90 percent of all TV homes. Seventeen were on the VHF dial and 111 were UHF stations.

When Fox began in 1986, there were many experts who felt that the mass audience automatically went to ABC, CBS or NBC in prime time, and that no amount of promotion would ever change that. Fox has demonstrated that eventually viewers will find the most obscure UHF station if it has good programming. The signal parity cable carriage allows is undeniable a factor, but the show really is the thing.

At Channel 30 in St. Louis the ratings on the nights Fox is on have about doubled in the past year alone, from a 5 to a 9 or 10 rating, according to Baker. In part, that was caused by the arrival of people meters, but, says Baker, "There is no question Fox programming has helped."

The Fox "halo" also helps with advertisers, says Milton Maltz, chairman of station group Malrite Communications, which operates Fox affiliates in Cleveland, Cincinnati and West Palm Beach, Fla. "Being with Fox has given us national exposure," reports Maltz. "For the first time we are seen as part of a national entity, and that has meant in some cases for the first time we have been able to attract national advertising."

What really draws these advertisers is the size and quality of the audiences Fox shows attract. Programs like 21 Jump Street and Married... With Children regularly attract viewers the Big Three and cable nets find it hard to reach. Those viewers are young, bright, educated and upscale. "It's certainly the best way to start a business," says Fox's Chernin. "If you're looking to change the viewing habits of television viewers, I'd rather do it with young decision-makers who are interested in what is up and coming."

Having shows that attract a desirable segment of the viewing audience becomes increasingly important as the dial fragments. There are many more viewing alternatives, so each one gets a smaller percentage of the audience. Success usually attracting viewers who are desirable to advertisers.

Diller argues that the worst way for an indie to do that is to depend on the same program sources as competitors. "What we predicted in our first presen-
tations to affiliates has all come true," says Diller. "We said if you run grind product—hours and hours of movies and off-network shows—all at the exact same price, then the price becomes homogenized. It leaves you very vulnerable because the networks are going to keep churning that product, and finding new ways to sell it—pay-per-view, pay TV, home video, satellite—and each time you, the independent, are going to be pushed down the chain."

Diller says there are only two hopes for independent TV, and Fox incorporates both. One is original programming and the other is news, which Diller sees as the source of much of the programming of the future. "That's why I now spend one third to one quarter of my day on news," says Diller, "learning it, understanding it."

That's the kind of leadership that gives Fox affiliates confidence for the future. "Fox is my bread and butter," says KTXX's Fisher. "I think the traditional independent station is endangered. You must align yourself with a network or studio or program service."

Throughout the first half of the 1980s, new independents launched at an unprecedented rate. In 1980, there were 103 indies in the U.S., according to the Association of Independent Television Stations (IN TV). By fall 1986, when Fox debuted its first show, The Late Show Starring Joan Rivers, there were nearly 300. The result was a fight for syndicated programming and, abetted by the concurrent growth of cable and VCRs, audience. Programming costs soared while more and more outlets fought over viewers.

A rapid succession of events then altered the marketplace. First, Wall Street soured on independent TV, drying up new investment capital. Second, a handful of stations went bankrupt, forcing all indies to reevaluate their program expenditures. Third, two new programming alternatives arrived. One was home shopping; the other was

Fox reacted to Premiere like the U.S. after the Japanese bombing of Pearl Harbor:

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Fox. "The availability of Fox programming to independents made an immediate difference in costs," says J. Kendrick Noble, first vice president at PaineWebber in New York. "Those stations that affiliated with Fox suddenly had a lower cost structure. That made them more attractive to investors, and it made it easier to raise new money."

While the value of independent stations continued to fall, the new Fox "independent-affiliate" hybrids found market prices for their stations stabilizing, and in some cases increasing. "It's hard to say a Fox affiliate is worth X dollars more, but it does make the buyers feel better and it makes the banks a lot more comfortable," says Brian Cobb, partner in Media Venture Partners in Washington, D.C.

It took much of the affiliates time to appreciate that new value. As America's Most Wanted and Married... With Children and other Fox shows became hits, revenues continued to rise. In Seattle, for instance, a 30-second ad that sold at a cost per thousand viewers (CPM) of $9 just before Fox went on the air recently sold at a $30 CPM. In some markets, prices increased thirtyfold.

As Fox's ratings have grown, the new network has also significantly affected the way ad agencies and their clients view the market. "Two years ago any commitment was made to Fox out of the syndicated programming budget," says Steve Grubbs, senior v.p., national broadcast buyer at the BBDO advertising agency in New York. "Now when Fox wins new business, it often comes right out of ABC, NBC and CBS."

Jon Nesvig, who joined Fox last April as head of advertising sales after 15 years at NBC, says that today almost all agencies view Fox as a network, not as a syndicator. Fox now participates in all the same selling phases as the other nets, including the fall upfront and the on-going scatter and spot ad sales markets.

Fox enjoyed a dramatic increase in its upfront sales last fall, nearly tripling the approximately $110 million it did in 1988 to about $325 million. "It was a combination of factors," says Nesvig. "There was the growth of Fox's ratings, the addition of Monday night and a [50 per cent] increase in the number of advertisers who did upfront deals with us." The big increases, adds Nesvig, have come in categories that target the younger Fox audience--fast foods, soft drinks, beer and athletic wear.

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*Phil Donahue is under contract until 1992.
Fox has established itself as the network of the young adult viewer, but what happens as the American population’s average age rises? What kind of new programming will Fox create to deal with this shift?

Diller says shows will still be targeted at young adults, but broadly so. “I don’t want this company to get, a reputation for being overly young,” says Diller. “We want to appeal to people who may be 22 or 32 or, as I am, 47, who are just a bit younger mentally, in their outlook, their interests.”

To get those shows, Fox executives know they can’t just wait for a knock on the door. “Honesty, I don’t think we get the same shot at talent or material that the [Big Three] do,” says Chernin. “We have to chase the best writers and producers and make it happen.” Fox has walked a fine line in the process. Since Fox takes in slightly less revenue per hour than the three networks, it tries to produce for slightly less. Yet it still must attract the same quality talent. For the most part, it is perceived as competitive in its offers to talent.

Fox became a success when it radically altered network economics, using reality programming to an unprecedented degree. America’s Most Wanted was developed by the Fox O&Os and moved to the network when it became an instant hit. Then, due to the 1988 writers’ strike, Fox came up with Beyond Tomorrow and The Reporters, both news magazines made for far less than the typical half-hour entertainment show.

Fox wasn’t the first to do reality shows at a lower cost, but with Most Wanted it was the first to make real criminals, and their exploits, prime-time stars. Since then, of course, the other networks have followed suit with shows based on unsolved crimes or dramatic rescues. “Oddly, it’s the new network that has been copied by the older guys,” says John Sisk, senior v.p., director of network programming at J. Walter Thompson.

What’s more important is that Fox is filling indie schedules with original programming, which means those stations don’t need as much syndicated product. “Is Fox eating up shelf space? Of course it is. Simple math tells you that,” says Chuck Larsen, president of domestic television distribution for Republic Pictures. “It is also one of the factors which has driven down the price of syndicated programming.”

The impact of that will be felt in other areas as Fox expands into additional dayparts and different kinds of programming. Although it is not officially a network project, the Fox affiliates are involved in a cooperative effort to develop a new block of children’s programming. That will also allow them to promote their early evening shows more effectively to the kids who often control the set at 8 o’clock. And the station that is tuned in early in the evening often owns the set for the night.

As Fox shows such as 21 Jump Street and Married...With Children enter the off-net syndication market and command healthy prices, it encourages producers to bring more shows to Fox. That’s quite a change from three years ago, recalls Garth Ancier, who was Fox’s first head of programming and is now president of network production at the Walt Disney Studios. “Three years ago suppliers didn’t want to make shows at a deficit for Fox because they didn’t think there was a back-end value,” says Ancier. “Now that Married...With Children is recognized as a huge asset for Columbia, it bolsters Fox’s appeal and flexibility.”

A decade ago the broadcasting business was simpler. There were affiliates of the three networks and there were independent stations. Today there are narrowly focused cable networks, satellite services, shows delivered on prerecorded cassettes and more. There is also, thanks to Fox, a new kind of hybrid TV station.

Fox is currently on from 7 to 11 P.M. on Sunday, and 8 to 10 P.M. on Saturday and Monday, a total of eight hours of programming per week. If it meets its announced schedule, it will reach and pass 15 hours a week in late 1991. At that point, it would be considered a TV network by the FCC definition. Depending on what happens with negotiations over financial interest and syndication rules, and Fox’s request for a waiver of syndication and prime-time access rules, that could place the quasi-independent Fox affiliates in a sticky situation. Fox will not yet be a full-service network, but it will be a network by technical definition. That could mean, for instance, that Fox stations will no longer be able to run off-network shows from 7:30 to 8 P.M. It could mean that Fox won’t be able to run general entertainment programming on Sunday night from 7 to 8 P.M., but will be limited to children’s and information/news programming like the other networks.

There is even a question as to whether those affiliates will still consider themselves indies. Martin Colby says INTV may have to develop a new category for independent-affiliates. There will probably be a conflict over this whole question. I see a clash down the road between Fox affiliates and that broad class of independent non-affiliates. It’s something INTV is going to have to face in the next year or two.”

Twentieth Century Fox, the Fox network’s sister company under the umbrella of Rupert Murdoch’s News Corp., may also be affected. If Fox is a network, it could be hamstrung by limits on how much a network can produce, and on its ability to sell shows into syndication.

It’s a price Barry Diller is willing to pay. “[Change] is happening anyway,” says Diller. “Do you want to be in the position of a pathetic program supplier, or do you want to see the future and act accordingly? I like our role a lot better than I do standing there with this old men’s club [in Hollywood] and trying to legislate productivity.”

In the next phase, Diller sees Fox growing beyond competition among independent stations. “It took a lot of pain and money and emotion to get this far,” he says. “But when you look at our strongest affiliates, you see we are now number one in Washington and number two or three in total billing in New York among all stations. As one of our people recently said when I asked what the station’s share of the market was compared to other independents, that isn’t what matters. We’re now ready to take on CBS.”

Contributing editor Alex Ben Block is editor-in-chief of Show Biz News.
Six years ago, Sally Jessy Raphael spoke her first words on TV. Now in 1989 her words are broadcast by 126% more stations than in 1983. The Sally Jessy Raphael show. Her success speaks for itself.
Boardroom Battles At the Fox Network

In a new book, ALEX BEN BLOCK tells how the Barry Diller management style eventually boiled over and scorched Fox’s young programming department.

B y fall 1988, the Fox Broadcasting Company had surprised critics and confounded competitors by becoming a viable broadcast alternative for viewers and advertisers. Even as it enjoyed its initial success, however, inside the company Fox was experiencing growing pains. Garth Ancier, then president of entertainment, and Kevin Wendle, exec. v.p. of the Fox Entertainment Group, had both come to Fox from NBC, where Ancier was the more senior executive. They had arrived friends but, thrown by Diller into a competitive situation, eventually found themselves at odds. In mid-1988, Diller reorganized the company and brought Wendle into the programming department, after Wendle had successfully reorganized and run advertising and publicity (duties he still retained).

At first, Ancier, who headed programming, welcomed the help. But soon, it seemed to Ancier, Wendle was usurping his authority. Diller told Ancier that Wendle was being given his chance to run the programming area, and Ancier asked to be released from his contract. Diller refused, leaving Ancier to suffer through a miserable summer. In this excerpt from the forthcoming book Outfoxed, Ancier forces a resolution of his status.

When Garth Ancier learned that Rupert Murdoch was in Los Angeles at the end of summer 1988, he decided it was his opportunity to try and do something about his intolerable situation. If anyone could help, Ancier felt, it was Murdoch. Although their association had been brief and almost always buffeted by Fox chairman Barry Diller, Ancier respected Murdoch greatly and felt that it was mutual. This was one time, however, that Ancier had no intention of telling Diller he was going to see Murdoch. He wanted it to remain top secret. He phoned, asking for an appointment, and word was quickly relayed that Murdoch would be happy to see him in his office on the main floor of the executive building.

Murdoch was on the phone when Ancier arrived but soon gave him his full attention. Ancier, looking thinner than Murdoch had remembered him, began by telling the chairman of News Corp. that he had the greatest respect for him and a lot of personal loyalty. He said he understood that Murdoch, both by design and under his contract with Diller, didn’t run the network, but he felt he had to tell him what was going on. “Look,” said Ancier softly, “this is really not working out. I don’t know what to do. The situation’s become unbearable.”

It was painful for Ancier to even say the words. He really did admire and respect Murdoch. He had found him to be completely fair in all of their dealings, and, even rarer, Murdoch was a man who could separate personal emotions from business dealings. He remembered a conversation he and Murdoch had a year earlier in which Murdoch told of being proud to have employees who had worked for him for 30 years or more. Ancier had immediately thought about Diller, whose associations tended to be considerably shorter.

Murdoch said he knew that the office politics had gotten out of hand, and that the situation between Ancier and Wendle concerned everyone. They talked about Barry Diller. Ancier told Murdoch that he would even consider spending the remaining two years or so of his contract working in other areas of News Corp., because he really enjoyed his association with Murdoch.

Murdoch, the sleeves of his white shirt rolled up, was low-key and soft-spoken, but the gravity of the matter showed on his face. Murdoch said that he felt Ancier had the best judgment in the building about television, and that he hoped Ancier wouldn’t make any rash decisions. Murdoch made it clear that he personally wanted Ancier to stick around.

Ancier wasn’t sure what would come of the meeting, but he returned to his office feeling much better. At least he knew that Murdoch had confidence in him, even if others at Fox didn’t.

Murdoch left Los Angeles the next day. Later that week, Barry Diller returned to L.A. after a three-week absence and called a meeting of the key programming executives, including Jamie Kellner, president of FBC, re-
meeting with Ancier to talk about the way things were going. When Wendle had finished his litany of complaints about Ancier, Diller just glared at him for a long moment. "Barry," said Wendle, "I want you to reprimand Garth for that meeting." Diller continued to glare, fire burning in his blue eyes. Jamie Kellner and the others in the room were all dead silent. "Why do you bring this up now?" Diller demanded of Wendle. "Why in front of all these people? You are not the president of the entertainment division. He [pointing at Ancier] is. You report to him."

Diller, who becomes obsessive when something important that has long been festering in the back of his mind finally rolls out, just kept on and on, putting Wendle back in his place. Then Diller turned to Ancier. He told him that it was all Ancier's fault, that he had not kept his underling in place, that he should have taken more control of his own department. Ancier felt like asking Diller how he was supposed to control someone who went around him, directly to the chairman; but instead he just listened, satisfied that order had been restored in his universe. Wendle, looking back, says he just wanted the lines of authority more clearly defined: "My sense is Barry was saying, 'It's not in your interest to spell this out.'"

To Diller, it was simply the right thing to do. "What happened is that you had two people who were ambitious and could be destructive out there being competitive with each other," said Diller several months later. "It didn't last very long. I went away for three weeks and it was only when I came back that I saw it. Then I came back and attended one meeting where there was this attitude showing and I said, 'This is it, folks. You go upstairs and settle this. How dare you come into this room and talk to us about these issues? You go upstairs and work them out yourselves and come out of it with a way of operating between yourselves ... Don't look to Kellner or me to straighten it out, or we will.'"

As in most of his decisions, Diller didn't really decide in advance to reaffirm Ancier's standing; it had just happened because he thought it was needed to keep things on an even keel. "You can't chronicle it as if it was an attempt on somebody's life, so to speak," Diller explained later. He said he expected there would be conflict when the two former associates were brought back together. "It dealt itself out," Diller said. "Some of it was destructive. Some of it was constructive."

When the confrontation between Ancier and Wendle was over, things ran more smoothly, although neither of them could ever return to the innocence of their early, heady days at Fox, when the network was first becoming a reality. Diller, who had barely spoken to Ancier in weeks, began discussing every programming issue with him again. While Wendle still had his personal audiences with Diller, whenever anything was decided, Diller made sure that Ancier also was involved. There were still a mountain of issues

Kevin Wendle: 'Barry,' Wendle said, 'I want you to reprimand Garth for taking that meeting.'
to confront, and the basic philosophical rift between Diller and Ancier still existed. Diller no longer trusted the star producers, and he wanted Fox out of the advance-series-commitment game completely. Diller felt that if the program concept was strong enough, any young, smart producer could carry out the assignment. He wanted to alter his philosophy of hiring an executive “a year too early” to hiring a producer “a year too early.” Ancier, however, continued to battle for the top names in TV production. He felt that the quality and experience of the talent would always be at the heart of any real success.

The rift surfaced again that fall over Patrick Hasburgh. After an association with Stephen J. Cannell, Hasburgh had left to form his own company. That meant that he was walking away from producing the next season of 21 Jump Street and would not be available to create and produce an intended spin-off. As soon as he’d left Cannell, Hasburgh had been offered a number of lucrative opportunities. Production companies wanted him to base his operation with them. ABC was willing to guarantee him an on-air commitment. Despite many battles with Fox, Hasburgh was willing to do something else there, and he began discussing ideas with Ancier and others.

Ancier told Diller and the others that Hasburgh was too big a talent to lose. He pleaded with them to allow him to guarantee Hasburgh that Fox would air whatever series he created for them, with the usual consultations.

Wendle was vocally against it. He felt that it would set a bad precedent right after the network had told everyone else that there would be no more on-air commitments. According to Ancier, Wendle preferred that producers make a pilot first and then give Fox time to consider it.

Finally they reached a compromise. Hasburgh would be given a commitment for a pilot, with the stipulation that it would get priority as an on-air series. They wouldn’t let him go, but they wouldn’t blindly guarantee him airtime, either.

The other emotional issue for Ancier that fall was Cops, which had begun a year earlier as an idea brought to Fox by producers John Langley and Malcolm Barbour. They had an agreement from the sheriff’s department in Broward County, Fla., to send a crew out with actual officers on duty. Their concept was a series of shows that took the audience out on the streets with police in an area of extremely high crime. Diller and Ancier didn’t know if it would ever make a series, but it was intriguing enough to green-light a handful of pilot shows. When they saw them, they were instantly excited. When they actually aired some in New York and Los Angeles, the ratings went through the roof.

Ancier, who had been slow in coming around on America’s Most Wanted, was a quick convert this time. He wanted Cops on the Fox Saturday night schedule immediately. He lobbied Diller, but Diller was hesitant. He still wasn’t convinced that it would work as a weekly series. There were a lot of unanswered questions. Would they stay with one police department or move it around the country? Would it be a flash in the pan or would it sustain high ratings week after week?

Diller wasn’t budging, so Ancier finally wrote a memo outlining his position and circulated it among the senior executives in the company.

More and more, through these battles and others, Ancier was like a man on the end of an electrical wire, always frizzled and on the verge of burning out. He had thrown himself back into his work at Fox and, despite the tension with Wendle, felt back in control. But it had all taken a toll. He no longer had the same enthusiasm. He began seeing his psychiatrist more often and was taking a higher dose of tranquilizers at night. Ancier told Diller that he was happy that they were working well together again, but he was still thinking about leaving. Diller, on the verge of announcing that Fox would add a third night of programming, encouraged Ancier to hang in there for awhile longer. Fox needed him, Diller said.

Meanwhile, on the night of November 27, 1988, Fox finally made the breakthrough they had all dreamed of since the days before Joan Rivers’ show: a Fox show received a perfect 10 rating. For the first time, Fox had shared a double-digit rating and had attracted 27 percent of all TV homes viewing at that hour. The show was Married ... With Children, which had suddenly become one of the hottest programs on TV.

In January 1989, Barry Diller proudly stood before his affiliates in Los Angeles for the annual NTV convention and announced that the Fox network had broken into the black. After losing $99 million the year before, it had finished 1988 with a profit of $400,000. He said it might still go back into the red as it developed more nights of programming, but Fox had proven that it was for real. The affiliates cheered wildly.

A month later, Garth Ancier was in his office preparing for a trip to Chicago for the taping of a pilot. His phone rang, and he saw on the message display that Barry Diller wanted to see him. Diller told him that he and Kellner had hired Peter Chernin as the new head of programming at Fox. Ancier was invited to stay on as an independent producer.

Ancier immediately felt that Chernin was a good choice. Chernin’s experience had been primarily in alternative network or programming situations, and he was highly regarded. Yet while Ancier had asked repeatedly to be let out of his contract, his feelings now were mixed. It was the end of an era for him—and for the Fox network. “The accomplishment for all the people involved in Fox,” said Ancier shortly afterwards, “is that two or three years ago, I don’t think you could have found more than 10 percent of the people in this town who thought it would work. Yet today, I don’t think you could find more than 10 percent of the people who don’t think it will work. To see that kind of radical shift in opinion over a two year period is pretty good.”

The Diller philosophy of management is a clashing of styles and ideas. He takes young people and molds them, but he does it by constantly testing them. Young people by nature need a lot of support, but that is the one thing he usually will not give them. The result is a kind of test by fire. Some, like Ancier, burn out and move on to do other things. Others remain and grow, perhaps faster than they would have in a different kind of atmosphere.

“I know when I arrived [at Fox] I had a big history,” said Diller. “I can’t wait until we get people to the point—and it’s coming along—where they are comfortable enough, have gone through the process enough, that they treat me the way I wish to be treated, which is certainly not as a force that has a frightening history. But somebody to whom you can say exactly what you think, and do all of the lively things that are vital to a creative enterprise. That just takes time.”

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Stationary Targets

The coming of the cable-originated indie struck fear into the hearts of independent broadcasters. Will cable now imitate or innovate?

BY FRANK LOVECE

Independent TV and cable have a long, bloody history together, with must-carry, channel repositioning and syndex marking points on the battleground. With the advent of ATC's Rochester, N.Y., cable station, WGRC, and the less conspicuous ToledoVision 5 from Blade Cablevision in Ohio, cable-originated "independents" have become the latest issue in the industry back-and-forth.

Yet are cable indies wolves, or sheep in wolves' clothing? MSOs say they're not about to blanket the country with cable stations. As Continental Cablevision director of programming R.B. Lcher observes, "It's certainly not a front-burner issue with us; I don't see too many situations where they're applicable. Given the cost of programming and the potential for advertising revenue, they don't make economic sense if you don't cover all or most of a market."

Independent broadcasters, who see a new source of local-advertising competition, still feel threatened. The only universally acknowledged consequence of WGRC and ToledoVision's appearance is that the concept of the LO channel has changed permanently. As Dave Fox, CEO of the syndicator Fox/Lorber Associates, bluntly asserts, "Anybody who thinks that more of these aren't coming is mistaken." Broadcasters want to know whether competition for advertising will affect carriage or channel position; whether subscriber fees will allow cable systems to outbid indies for programming, or low-ball them on ad rates; and whether a federally regulated broadcaster can compete with a lightly regulated cable "station."

Time Warner Cable Group chairman Joseph Collins, in a letter to Congress, asserted that cable indies are "subject to nearly identical FCC regulations, including the political broadcast rules," and that broadcasters, by virtue of reach, can charge higher ad rates. Yet contrary to Collins' assertion, regulatory differences are real. No FCC file drawer contains viewer complaints about cable programming to be read at license-renewal time. The FCC obliges broadcasters to air issue-responsive programming, and to compile a quarterly issues list. Cable indies are not so charged.

Assuming that cable indies will program with ratings in mind, how much competition for revenue do they really represent? "How am I competing with a $400,000 budget against broadcast stations?" asks ToledoVision 5's Allan Block, president of Blade Cablevision. "I want to have $200,00 in advertising revenue my first year. That's so little revenue, and where is it coming from? Probably everybody—the network affiliates, the independents, our own cable service, radio. Let's say I'd take $50,000 from [Fox affiliate WUPW]. What does that mean to him? It's competition, but it's insignificant."

WUPW g.m. Larry Blum agrees. "They're no competition. We have the large reach, the entire ADI; cable systems don't. And [LO channels] aren't rated. TV5 would have to cut 20 percent of our ADI to get a rating, and they're just not able to do that." Yet Blum also believes cable indies could become competitive when cable penetration reaches saturation.

The local station's new rival for viewers and ad dollars grew from a humble source. Traditionally, LO channels—whether franchise-mandated or voluntary—are the narrowcasting equivalent of weekly community newspapers. The niche they fill, says Char Beales, vice president of programming and marketing for the NCTA, and executive director of the trade group's National Academy of Cable Programming, is one of "serving the local community with programming they can't get anywhere else... local public affairs, election coverage, a lot of high school sports, but also a lot of college sports."

Local-origination channels across the country produce not only local public affairs shows and micro-documentaries, but also slick-looking comedy, music and talk shows with a local bent. Highly localized programming should continue to flourish if only because much of it is mandated by municipalities. Even in areas that now have only one LO, as systems rebuild and increase channel capacity, there could be a multitude.

But that scenario is far from certain—and for more reasons than the usual difficulty of forecasting technological change. Of the more than 9,000 cable systems in the nation, only about 300 submit entries to the annual system ACE award competition. Tripling that number still doesn't yield that many LOs doing significant programming.

The concern of independent broadcasters about LOs isn't civic anyway—they're worried about losing ad revenues, not losing the high-school game-of-the-week. Part of the reason WGRC created more commotion than the earlier ToledoVision 5 is that WGRC may be a viable advertising competitor: It reaches 62 percent of the ADI. ToledoVision 5, says Block, reaches only 27 percent of the ADI: "If we get a four share in our universe during some of our time periods, that would be a one in our
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WGRC’s other advantages include a $3 million budget and the support of Greater Rochester Cablevision’s parent company, American Television & Communications, part of the Time Warner monolith. After supplying what Rochester system president Frank Chiaiano calls “a substantial amount of capital and operating expenses beyond what we were providing,” ATC isn’t in the game to bleed money. As Chiaiano puts it, “The way Time Inc. has always run its businesses, every division is responsible for its own bottom line.” Yet because a system’s main income source is subscriber fees and not ad revenue, WGRC can afford to chip away at the ad market gradually.

There’s a lot of lip service being paid by cable to the local retailer right now, and while you’re waiting for him to become sophisticated about ratings and advertising strategy, your prices go down to meet the challenge,” observes Michael Volpe, g.m. of independent WHLL in Shrewsbury, Mass. “Our spot cost that before local cable advertising really got an inroad might have been $100 is now $50. [The result is] you can’t pay the money for the syndicated programming you want.”

At Rochester indie WUHF, WGRC has had no immediate effect on ad rates. Some advertisers have tried to use WGRC’s existence to push down rates, but WUHF, says one staffer, is holding its ground.

For now, they can afford to do so. As Francie Nichols, a media buyer at Rochester ad agency Buck & Pulley, suggests, quasi-stations are “hampered because they don’t deliver the whole audience.” And their promise of more off-network reruns is equally untenable. “Nickelodeon offers a niche package with a whole identity—family-oriented, a good old-fashioned evening. But WGRC . . . is just a mishmash of programming.”

While ad rates are certainly very low, “you have to ask yourself what you’re getting. An upscale cable audience? For this programming? I don’t think so.”

That could change. WGRC has already bought Warner Bros.’ ALF and Perfect Strangers and has talked about starting newscasts. Yet without the kind of underwriting that WGRC has received from ATC, it’s almost impossible for cable operators to afford desirable, high-profile programs on a continuing basis.

Most syndicators other than Twenty First Century-Fox, which has a string of indie affiliates, have no qualms about selling to cable stations. Genesis Entertainment, MCA, Orion, Palladium, TeleVentures, Turner, Viacom, Warner Bros. and Worldvision have already done so—though in virtually all cases only after having given broadcasters first refusal.

Programming itself is only part of the equation. The cable stations want money from major advertisers, but rep firms, afraid of upsetting their core clientele, are staying away. Seitel was to have reped WGRC, but backed off due to pressure from broadcast clients in flourishing markets. “Even if you go into a market where you don’t have a station,” says one rep-firm president, “your clients are going to look at that and say, ‘Wait a minute. You’re selling the idea that they’re just as good as an over-the-air TV station. The more you get people to buy, the worse it’s going to be for me ultimately.’ You’re going to upset them, not make a lot of money in the process, and chances are you’ll put your core business in jeopardy.”

Rep firms dealing exclusively in cable are more than happy to take up the slack. And local cable advertising in general is a growth area. The current Communications Industry Forecast by Veronis, Suhler & Associates reports that local cable advertising grew from 15.1 percent of total cable ad expenditures in 1983 ($50 million) to 21.6 percent in 1988 ($250 million). Local advertising has grown faster than has national: 38 percent versus 26.4 percent in the six years covered by the report. Projections are that local will continue to outpace national through 1993: 17.1 percent versus 15.9 percent, accounting for $550 million of the $2.45 billion cable ad market in 1993.

Bob Williams, president of the cable rep firm National Cable Advertising, believes cable stations will not contribute significantly to local cable ad growth for the foreseeable future: “The cost of putting on programming is going to exceed the value of the audience it delivers.” But, he suggests, ratings aren’t everything. “The giant sponsors—P&G, Coke, McDonald’s—have upped the ante beyond reach and frequency. If there’s something unique that a local channel can bring to the table—high-school football, senior citizens’ programming, shows about local government—then the very largest advertisers may want those small, select audiences.”

Ironically, it’s the old-fashioned LOs Williams finds more appealing. “I have yet to make up my mind on the role of more reruns on cable. I think the operator who now makes money ought not to think about just buying another ALF rerun and putting some spots in it, but seriously consider the benefits of producing local programming.”

One celebrated example, begun in 1996, is Cablevision’s News 12 on Long Island, a regional-news channel that fills the void left by the urban emphasis of the New York ADI’s broadcast news.

At Suburban Cablevision in northern New Jersey, Bruce LaRose, director of LO programming and ad sales, has an active, loyal viewership for his TV3, which in 1987 won a DuPont journalism award—the first LO channel to do so. And one possible harbinger of the future is Florida’s LO “superchannel,” the Sunshine Network. Commercially sponsored, it reaches about 2.5 million viewers statewide via 74 systems’ basic tiers. While primarily a regional sports service, Sunshine also devotes about 30 percent of its time to public-affairs.

Nobody’s making a fortune right now selling commercials on the more traditional LO channels. Suburban Cablevision’s TV3, with a $1 million budget for both LO and public access, recoups only half that from ads and local infomercials. It’s easy to understand the temptation to try to make money doing what an independent TV station does.

But there’s more than money at stake. The debate over WGRC isn’t sim-
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IN FOCUS/Re-defining Independent Television

In With The Indie Crowd

If it weren't for the fact that cable station ToledoVision 5 signs on at 5 p.m., its program schedule would be indistinguishable from that of a broadcast independent.

Monday to Friday
5 P.M.: Bugs & Friends
5:30: The Andy Griffith Show
6 P.M.: The Beverly Hillbillies
6 P.M.: The Dick Van Dyke Show
7 P.M.: I Love Lucy
7:30: 13 News on Cable (replay of NBC affiliate WTVG's 6 P.M. newscast)
8 P.M.: The Big Show (movie)
10 P.M.: USA Tonight (INN)
10:30: Consumer Magazine (how-to shows)
11 P.M.: Perry Mason
Midnight: sign-off

Saturday
5 P.M.: Bugs & Friends
6 P.M.: The Wild Wild West
7 P.M.: Hee Haw (first-run syndication)
8 P.M.: Movie Greats (movie)
10 P.M.: Eerie Street Theater (horror movie)
11:30: USA Tonight (INN)
Midnight: sign-off

Sunday
5 P.M.: Bugs & Friends
6 P.M.: The Wild Wild West
7 P.M.: Rawhide
8 P.M.: Perry Mason
9 P.M.: The Honeymothers
11 P.M.: Consumer Magazine (inde and sponsored how-to shows)
11:30: USA Tonight (INN)
Midnight: sign-off

Schedule also includes occasional pre-game promotions for Cincinnati Reds and Cleveland Indians baseball and various college sports.

In the Northern California area, a lot of the action is taking place behind the scenes, and it usually involves the exchange of ad revenues or the price of ALF. It's about control, control of both delivery and programming.

"If programming is going to be one of the driving forces in the future, like everybody's saying it will be," says ATC's Chiamo, "then we ought to be more in control of it. We ought to start getting exclusive rights. What good is carrying programming on cable if you can get it on over-the-air television?"

Chiamo has addressed the heart of the issue. As one broadcast executive wonders, "What's to prevent TCI, ATC and the other top 20 MSOs, who have the potential to convene every time there's a Turner board meeting, from going to NBC and saying, 'Feed us and we'll pay you.' They could clear a common channel across the nation and pay 25 cents or whatever a subscriber to have NBC as a cable-only service. There's nothing that prevents them from doing it."

Broadcasters aren't the only ones saying this. "I always tell my people, free TV is not a birthright," says Scott Kurnit, president of the Viewer's Choice pay-per-view network. "What if NBC were to start charging $10 a month to watch? I think the programming there is worth that much."

Pessimists like Bert Ellis, president of Act III Broadcasting (a sister company of Channels' parent ACT III Publishing), which owns Rochester's WUHF, think broadcasters may blow the chance to deregulate the WGRCs out of existence, because they lack the philosophical cohesiveness of operators. "There's VHF versus UHF, affiliates versus independents, haves versus have-nots, new stations versus old stations. . . There's not a damn thing we can do about it."

Cable's lack of economic cohesiveness, however, may affect the future of cable indies. While in Rochester all 28 franchises are owned by ATC, larger markets are still often sliced up among many operators. Lerch of Continental Cable believes, "You'd have to have one or at most two systems that cover most of a market. I don't think seven or eight systems are going to get together and put on a channel."

Dirk Brinkerhoff of indie KTXA in Dallas agrees. "If the two biggest systems in our ADI—Sammons in Forth Worth or Heritage in Dallas—were to pick up call letters and do that kind of thing [WGRC], it might impact on us."

"But the rest have so little reach in comparison, you'd have to pull a bunch of them together and divide up the ad dollars. Why would they want to do that?" Yet the existence of such advertising cooperatives as California's Bay Area Interconnect indicates that mutually beneficial arrangements are possible.

For now, cable stations are years away from seriously affecting broadcast revenues. Some may sign on in response to WGRC and ToledoVision; most will find that the mess money to be lost and more community goodwill to be gained with old-style LO channels. The larger issue—the control of programming and its delivery—will manifest itself elsewhere.

Frank Louese is a New York-based freelance writer.
Making a Difference!

In its initial sweep (Oct.'89), CRIME STOPPERS 800 improved time-period delivery of women 18+ across the country:

<table>
<thead>
<tr>
<th>Market</th>
<th>Station</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>WNBC</td>
<td>+ 14 %</td>
</tr>
<tr>
<td>Dallas</td>
<td>KTXA</td>
<td>+ 667 %</td>
</tr>
<tr>
<td>Houston</td>
<td>KPRC</td>
<td>+ 82 %</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>KITN</td>
<td>+ 267 %</td>
</tr>
<tr>
<td>Seattle</td>
<td>KCPQ</td>
<td>+ 63 %</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>WKRC</td>
<td>+ 100 %</td>
</tr>
<tr>
<td>Atlanta</td>
<td>WATL</td>
<td>+ 150 %</td>
</tr>
<tr>
<td>Cleveland</td>
<td>WEWS</td>
<td>+ 24 %</td>
</tr>
</tbody>
</table>

Source: Nielsen, 10/89 vs. 10/88

It's not “Reality-Based.” It's just plain Real!

See Us At NATPE, Booth #462

Available on an advertiser-supported basis

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1990 INTV Pathfinder

The advertisers appearing in this directory are exhibitors at the 17th annual INTV Convention being held in Los Angeles at the Century Plaza Hotel Wednesday, January 3rd through Saturday, January 6th. Exhibitors are featuring their products and services in this directory for your convenience.

### ALIN-TV

**ROUND-THE-CLOCK NETWORK FEATURES**

<table>
<thead>
<tr>
<th>Prime Time Movies</th>
<th>Late Night Entertainment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teen/Young Adult</td>
<td>Day Time</td>
</tr>
<tr>
<td>Prime Access</td>
<td>Weekend</td>
</tr>
<tr>
<td></td>
<td>Kids</td>
</tr>
</tbody>
</table>

All our station, agency and client friends are cordially invited to the 4th of January “Independents Day” cocktail party in the Tower Suite Oak Room at 5:30 P.M. We look forward to seeing you and sharing in the celebration of our mutual past and future success as your national network sales arm.

### FRIES DISTRIBUTION COMPANY

**Suite 639**

The premier distributor of quality movies, Fries Distribution offers five packages of Fries Frames, the highly exploitable Fries Dynamite, the prestigious Mark Twain Collection, and 14 Taggart detective thrillers. Series include Mosquito Lake, Crime Time, New Generation and Born Famous.

### KING WORLD

**Suite 549**

**THE CLEAN AIR ACT OF THE '90's**

- Wheel of Fortune
- Jeopardy!
- The Oprah Winfrey Show
- Inside Edition
- Only Yesterday — Premiere Fall 1990
- Monopoly — Premiere Fall 1990

King World — The leading distributor of first run programming

### MCA

**Suite 622**

**MCA TV offers 3 new first-run programs for 1990:**

- **STUDIO 33, HOLLYWOOD** Starring Cristina Ferrare and co-host Ron Reagan, a one-hour daytime talk show strip; **MY TALK SHOW**, a half-hour late night strip and **WHAT A DUMMY**, a half-hour weekly situation comedy.

### NEW WORLD TELEVISION

**Suites 545, 547**

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### SELECT MEDIA COMMUNICATIONS

**Suite 638**

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This year TeleVentures offers "21 JUMP STREET", the exciting action hour from Stephen J. Cannell Productions. "HUNTER", a proven success in syndication, is also available from Stephen J. Cannell. And the PEGASUS II film package features 21 titles, including such greats as "SUSPECT", "NADINE", and "THE PRINCIPAL" and highly promotable stars like Michael Keaton, Gene Hackman, Daryl Hannah and Cher.

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Advertising Services Manager
CHANNELS MAGAZINE
401 Park Avenue South
New York, New York 10016
Tel# (212) 545-5193
Fax# (212) 696-4215
Indies Write Chapter 12

After the independent TV boom, dozens of stations crashed and burned. Their survivors and successors face life after Chapter 11.

BY JOHN F. BERRY

Robert E. O'Connor, COO of Combined Broadcasting Inc., admits: “It helped when we didn’t have to have ‘debtors in possession’ on every piece of paper we produced.”

Those three telltale words, warning the public that a business is in Chapter 11 bankruptcy reorganization, became all too familiar to independent-station owners during a wave of bankruptcies that peaked two years ago.

Since then, while some of those stations have experienced nothing but frustration, others have struggled back through a combination of guts and financial ingenuity. And syndicators, whose expensive programs were the golden shovel that stations dug themselves a hole with, are now extending a helping hand to their clients.

Some of the original owners have held on, chastened by bankruptcy; other stations are being brought back to life by new, tougher-minded management, if not by Combined Broadcasting, for example, acquired the most famous of the Chapter 11’s, Grant Broadcasting, and removed it from court supervision.

“There was a massive restructuring as part of the bankruptcy plan,” says O’Connor. Among other things, three program suppliers that were major creditors to Grant became members of a new board of directors. “We’ve been able to strike deals, both cash and barter, with about every program supplier doing business,” O’Connor says.

The December 1980 collapse of the three independents owned by Milton Grant—WGBS Philadelphia, WBFS Miami and WGB Chicago—shocked even those industry observers who questioned the entrepreneur’s free-spending ways. Then, that same month, WTTV Indianapolis, a station known for its conservative financial philosophy, also filed for Chapter 11. Recalls Raymond Johns, president and COO of rep firm Sellet: “Grant opened the industry’s eyes, but Indianapolis made the industry realize that everyone was vulnerable.”

In fact, WTTV was conservative largely because it was poor. The station was acquired in 1983 by a company called Tel Am Corp. The new managers’ cautious approach to program pur-

chasing was inspired by the debt they incurred to acquire the station. They didn’t have any capital. “They had every kind of junk bond available,” says Fred Barber, the current v.p. and general manager of WTTV, now owned by Raleigh-based Capital Broadcasting.

“It was conservatively run and producing significant cash flow, but not enough to service the debt.”

In the months following Grant’s failure, independents fell like dominoes. There is no official tabulation of the number of stations that went belly-up. Some simply disappeared. Two groups—Grant and Chattanooga’s Media Central, with eight stations—accounted for 11 independents that filed. Industry sources name two dozen more; Channels research finds at least 43 overall. (While almost all the Chapter 11’s are independents, an exception is Beam Communications Corp., owner of one CBS and three NBC affiliates. Filed last June, Beam’s bankruptcy is “a master’s degree I never signed up for,” says president and chairman Frank Beam.)

Whatever the actual number of failures, their troubles stemmed from similar causes. Grant and most of the other Chapter 11’s took on massive debt burdens to pay inflated prices for stations, then spent lavishly for programming to meet competition. But they soon realized that, in the new television environment, market shares didn’t change much and profits most often came from cutting costs. “These days, a station that’s done 10 percent probably won’t do better than 11 percent or less than 9 percent,” says Anthony Hoffman of Hoffman-Schutz Capital Media, investment bankers dealing in TV and radio stations.

“Market shares move glacially.”

Statistics tell the story of the independents’ recent woes. According to the National Association of Broadcasters, the independents’ average pre-tax profit has been shrinking for several years. In 1985, the year when a record 38 independents signed on, the average pre-tax profit was $1.8 million, compared to $3.9 million for affiliates. In 1986, the independents lost $68 million; on average while affiliates earned $4.1 million; in 1987, the independents lost $225,411 to a profit of $3.8 million for affiliates. Finally, last year, the independents on average lost over $406,000 while the affiliates made about $3.8 million.

Some troubled independents went to black, unable to compete for any number of reasons. “Operations were discontinued,” wrote John Marshall, general manager of WMPV-TV, Mobile, Ala., to the Federal Communications Commission, “because of the failure of the local cable system to carry the station.”

Others struggled gamely against heavy odds. “For a guy who started in the late ’60s, this business has dramatically changed,” says Donald W. O’Connor, general manager and president of KTMA Acquisition Corp. in Minneapolis, which filed for Chapter 11 after failing to secure necessary financing.
“It’s not as much fun as it used to be.”

The worst now seems to be over, and many of those who didn’t go out of business are struggling back. A couple of developments have helped resuscitate the depressed independents. The pricey programming contracts signed by wildly optimistic operators back in the mid-'80s are winding down. The investors who hoped for a quick killing in TV have given way to professional managers who are introducing hard-nosed business practices to station operations. “The feeding frenzy is over,” says WTTV’s Barber. “Everybody is under the same profit squeeze.”

Sel tel’s Ray Johns says that station owners in Chapter 11 are slashing overhead to revive themselves, often with the help of program syndicators. “Some syndicators are simply forgiving the debt. But the vast majority of relief comes from syndicators extending payments over longer terms,” he says. “Then again, a lot of station owners simply have stopped buying product.”

The syndicators are helping out of self-interest, observes Tony Hoffman. “It doesn’t do any good to put your best customers out of business,” he says.

In Minneapolis, KTMA’s O’Connor, whose investor group was forced into Chapter 11 when funding sources dried up after the Grant bankruptcy, says that most program suppliers have been helpful. “We’ve worked out deals with Viacom and Vestron after having rejected all the existing contracts. They’ve been supportive,” he says. “Some guys did take it personally, but it certainly wasn’t the happiest day in our life.”

Even in the best of circumstances syndicators shy from disclosing details of their arrangements with the independents, but in the case of helping to bail out Chapter 11s, they are especially mum. One reason is that deals are being struck selectively, and indices in important markets, where syndicators see potential for future programming sales, are getting better breaks than others.

At KSAS in Wichita, the game plan was more complicated. The station had defaulted on a loan from First Interstate Bank, which then merged with Republic Bank, which became First Republic, which, in turn, was taken over by the FDIC and sold to NCNB. Problem is, the FDIC retained the loans in default, so now KSAS must deal with the federal government. “The FDIC isn’t like dealing with your corner banker,” says Dale Bennett, general manager of KSAS.

Of the many that have to be written was the July, 1987, Chapter 11 filing by Media Central. Morton Kent, a Chattanooga businessman, believed that a group of TV stations “if run like a business instead of show business . . . could drop sixty cents of every dollar to the bottom line after you covered your nut.” In the early 1980s, Kent and his family bought or built eight stations to form what he called the “fastest-growing independent television chain in the country.”

But thanks to inept management and an over-structured that enriched the Kents at the cost of the station operations, ten separate bankruptcy proceedings were to be held. And Morton Kent’s “fastest-growing chain” is being sold off to cover massive liabilities, station by station.

To spruce up the image of troubled stations, new management often try to distance themselves from their failed predecessors. In contrast to the flamboyant Milt Grant, who thought he could spend his way to success, most new owners are decisiion key.

“There were so many broken promises on the trail leading to bankruptcy that we’re trying to do this very quietly,” says Bob O’Connor, who along with Combined Broadcasting CEO Albert P. Krivin is a former Metromedia executive. “Our growth is being recognized in the buying community, but it has to be a slow process. You can’t take stations in major markets out of circulation for about 18 months and expect them to turn around overnight.”

The changes by the new management at WTTV Indianapolis contrast sharply not only with the station’s conservative past but with the current trend in the industry. Where others cut back, WTTV had to go on a spending spree to make the station competitive. Says general manager Barber: “We have done a little of everything. We’ve replaced virtually every piece of equipment, aggressively bought programming and promoted the station.”

According to Art Lanham, whose SouthWest MultiMedia took over KMSS Shreveport, La., in 1987, KMSS helped restore its public image with a complete on-air makeover and community service work. One of its pieces, on teenage suicide, got nominated for an Emmy in 1988. The effort seems to be paying off, especially considering Shreveport’s depressed oil-based economy. Local revenues are up 115 percent, national up 43 percent, in two years. “The station has been in the black, in terms of operational profits, for the past six months,” says Lanham.

Finally, in the “where are they now?” category of Chapter 11, Milt Grant, the man who started the bankruptcy train rolling, is poised for a comeback. Grant has received permission from the Media Central bankruptcy judge to acquire the company’s Huntville, Ala., station, WZDX. And in the new spirit of cooperation between syndicators and station owners, the betting is Grant will have no trouble getting programming. “Sure, the syndicators will sell the Grant,” says Sel tel’s Johns. “But not on the same terms as before.”

As for Media Central, the old adage about “learning from experience” seems to apply as Don Kent, son of the founder and a principal in the bankrupt firm, and Cliff Curley, a former station executive, have turned to consulting. A recent advertisement in the ABA Banking Journal asks, “Worried about your broadcast investments?” and continues: “These are tough times for broadcasters. Many are finding themselves with troubled loans. But now there’s help. Media Central Inc. is a group of specialists in banking, broadcasting, accounting who are experts at turning broadcast properties around.” It doesn’t specify which direction.

Contributing editor John F. Berry is a New York-based freelance writer.
Newly Independent

After a difficult period in 1987 and 1988 during which some independent station groups went belly-up, a smattering of new station groups has formed. Syndex, cable indies and basic cable networks present a vastly different landscape than the independent wave of the early '80s faced, however. Following is a sampling of recent investments in independent TV.

<table>
<thead>
<tr>
<th>GROUP NAME (OWNER)</th>
<th>Station/Market</th>
<th>Acquisition Price/Date ($MIL)</th>
<th>Share of Market Revenue (Nat'l v. Local)</th>
<th>Audience Shares** Sign on/ Sign off Early Fringe Prime Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABRY COMMUNICATIONS (Royce Yudkoff, Andrew Banks)</td>
<td>WNUV Baltimore, Md.</td>
<td>$20/ March '89</td>
<td>6% (50% / 50%)</td>
<td>5 4 6</td>
</tr>
<tr>
<td></td>
<td>WII Cincinnati, Ohio</td>
<td>8/ Nov. '89</td>
<td>5 (50 / 50)</td>
<td>3 2 4</td>
</tr>
<tr>
<td>ACT III BROADCASTING (ACT III Communications)</td>
<td>WNRG Dayton, Ohio</td>
<td>17/ Feb. '88</td>
<td>12 (59 / 41)</td>
<td>7 9 6</td>
</tr>
<tr>
<td></td>
<td>WVAP Charleston, W. Va.</td>
<td>20/ Feb. '88</td>
<td>19 (47 / 53)</td>
<td>10 8 7</td>
</tr>
<tr>
<td></td>
<td>WZTV Nashville, Tenn.</td>
<td>14/ June '88</td>
<td>11 (55 / 45)</td>
<td>5 7 5</td>
</tr>
<tr>
<td></td>
<td>WRLH Richmond, Va.</td>
<td>13/ Sept. '88</td>
<td>12 (36 / 64)</td>
<td>8 7 6</td>
</tr>
<tr>
<td></td>
<td>WUHF Rochester, N.Y.</td>
<td>7.8/ April '89</td>
<td>16 (59 / 41)</td>
<td>8 9 8</td>
</tr>
<tr>
<td>CHASE COMMUNICATIONS (D. T. Chase Enterprises)</td>
<td>WPTY Memphis, Tenn.</td>
<td>12.5/ July '86</td>
<td>12 (50 / 50)</td>
<td>7 6 9</td>
</tr>
<tr>
<td></td>
<td>WTIC Hartford, Conn.</td>
<td>1/ Oct. '88</td>
<td>9 (55 / 45)</td>
<td>7 7 7</td>
</tr>
<tr>
<td></td>
<td>KDVR* Denver, Colo.</td>
<td>12/ Dec. '88</td>
<td>12 (55 / 45)</td>
<td>6 6 6</td>
</tr>
<tr>
<td></td>
<td>WXIN* Indianapolis, Ind.</td>
<td>NA/ pending</td>
<td>14 (43 / 57)</td>
<td>7 5 6</td>
</tr>
<tr>
<td></td>
<td>WATL* Atlanta, Ga.</td>
<td>NA/ pending</td>
<td>8 (60 / 40)</td>
<td>8 10 9</td>
</tr>
<tr>
<td>CLEAR CHANNEL TELEVISION (Clear Channel Communications)</td>
<td>WPMI Mobile, Ala.</td>
<td>8.1/ Dec. '88</td>
<td>14 (40 / 60)</td>
<td>7 16 12</td>
</tr>
<tr>
<td></td>
<td>KTTU Tucson, Ariz.</td>
<td>2.2/ Feb. '89</td>
<td>9 (35 / 65)</td>
<td>5 10 8</td>
</tr>
<tr>
<td></td>
<td>WAWS Jacksonville, Fla.</td>
<td>8.1/ Sept. '89</td>
<td>13 (50 / 50)</td>
<td>8 16 13</td>
</tr>
<tr>
<td></td>
<td>KOKI Tulsa, Okla.</td>
<td>5.4/ Nov. '89</td>
<td>13 (48 / 52)</td>
<td>9 14 9</td>
</tr>
<tr>
<td>MT COMMUNICATIONS (Michael Thompson)</td>
<td>WXMT Nashville, Tenn.</td>
<td>6.2/ Dec. '88</td>
<td>5 (55 / 45)</td>
<td>5 3 6</td>
</tr>
<tr>
<td></td>
<td>WLMT Memphis, Tenn.</td>
<td>7/ May '89</td>
<td>8 (50 / 50)</td>
<td>6 5 5</td>
</tr>
<tr>
<td></td>
<td>WMTU Jackson, Tenn.</td>
<td>1.4/ Nov. '89</td>
<td>15 (5 / 95)</td>
<td>4 3 4</td>
</tr>
<tr>
<td></td>
<td>WEMT Tri-Cities, Tenn.</td>
<td>1.9/ Nov. '89</td>
<td>5 (40 / 60)</td>
<td>4 3 4</td>
</tr>
<tr>
<td>RENAISSANCE COMMUNICATIONS (Michael Finkelstein, Warburg Pincus Capital)</td>
<td>WPGH Pittsburgh, Pa.</td>
<td>30/ Jan. '89</td>
<td>10 (65 / 35)</td>
<td>6 5 8</td>
</tr>
<tr>
<td></td>
<td>WDZL Miami, Fla.</td>
<td>35/ April '89</td>
<td>6 (56 / 44)</td>
<td>7 7 5</td>
</tr>
<tr>
<td></td>
<td>WTXX Hartford, Conn.</td>
<td>25/ April '89</td>
<td>8 (55 / 45)</td>
<td>1 1 2</td>
</tr>
<tr>
<td></td>
<td>KTXL Sacramento, Calif.</td>
<td>55/ April '89</td>
<td>22 (54 / 46)</td>
<td>10 8 14</td>
</tr>
<tr>
<td>RIVER CITY TELEVISION (Atlantic Broadcasting)</td>
<td>KDNL St. Louis, Mo.</td>
<td>21.5/ Sept. '89</td>
<td>10 (55 / 45)</td>
<td>7 5 7</td>
</tr>
<tr>
<td></td>
<td>KABB San Antonio, Texas</td>
<td>11/ Nov. '89</td>
<td>8 (50 / 50)</td>
<td>5 5 5</td>
</tr>
</tbody>
</table>

*Deal pending at press time. **All audience shares are from July ratings books, supplied by stations. NA: not available. Sources: Companies, and industry estimates. Compiled by Channels.
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WHAT HAS YOUR REP DONE FOR YOU LATELY?

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A subsidiary of John Blair Communications, Inc.
Jeff Genthner, general manager of SportsChannel Florida, is as frustrated as a bat boy waving at a Nolan Ryan fastball. His regional sports network telecasts a full slate of local programming, but it has a serious distribution problem.

SportsChannel's competitor, the Orlando-based Sunshine Network, is 51 percent-owned by a consortium of 17 Florida cable operators, including such heavyweights as Comcast, Cox Cable Communications, Paragon Communications, Continental Cablevision and Storer Cable Communications. According to Genthner, the group has conspired to lock his channel out of the state. "As blatant as it is, I didn't want to believe collusion could run so deep," he says. Sitting smugly in the background is the Prime Network, which owns the other 49 percent of Sunshine.

The Prime and SportsChannel regional network groups are also butting heads in California and at the national level over franchise rights and new territories. In the process of carving up the country, the two rivals are driving rights fees skyward, making life miserable for independent stations and dodging political flak from legislators whose constituents hate paying for sports coverage that used to be free.

No matter who wins the SportsChannel/Prime skirmishes, broadcast stations lose. In particular, sports franchises give cable operators a reason to carry indies, viewers a reason to watch and advertisers a reason to buy. Indies may be able to outbid regional sports networks (RSNs) for high-profile sports, but they can rarely replace the programming with other, equally attractive franchises; few markets have more than one team in each of the big four sports.

For the foreseeable future, Prime and SportsChannel will be the only RSN groups competing on a national basis. While the regional sports business may have been ripe to enter yesterday, a glance at a map reveals that it's probably too late for newcomers today. "Last year there was a mad scramble to get pieces of the country, and that's mainly over," says Paul Bortz, whose Bortz & Company represents sports franchises in their rights negotiations. The St. Louis and Cincinnati areas, says Bortz, will probably be div-
New England, and has since added five more regionals and the national Sports-Channel America service, which allows regionals to surround local sports programming with events that have wider appeal. The networks were fortified last April by an agreement that gave NBC a 50 percent interest in the channels, with Cablevision's Rainbow Program Enterprises subsidiary holding the other half. The regions currently have about 7.6 million subscribers. SportsChannel America's national feed is also picked up as a stand-alone by systems with another 1.5 million subs in markets without RSNs.

Dolan's fellow cable pioneer Bill Daniels entered the RSN business a few years after Cablevision, but has been making up for lost time. Daniels, a former MSO owner who runs the Daniels & Associates brokerage, started L.A.'s Prime Ticket sports network in 1985. Last March, Daniels joined with TC1 and John McMullen, owner of the Houston Astros and New Jersey Devils, to form the Prime Network. The new partnership acquired the assets of McMullen's Home Sports Entertainment—a Texas-Based RSN—as well as HSE's 49 percent interest in the Sunshine Network. Daniels' contribution was his Prime Sports Network in Denver—he kept his 83 percent ownership of Prime Ticket. In the past year Prime has also linked with ATC and Comcast to create Prime Sports Midwest in parts of Indiana, Kentucky, Illinois and Ohio.

Last summer, Prime Network began supplying sports programming not only to Prime Ticket and its own regional nets, but to others as well. The new consortium quickly stripped SportsChannel of its title as the number-one regional sports network group. RSNs owned by or affiliated with Prime claim 18.5 million subscribers. It contracted with Group W Satellite Sales to sell national spots for the Prime RSNs, and allied itself with sports distributor Raycom to jointly bid for sports TV franchise rights. Turner Broadcasting may jump into the Prime mix as well. According to Terence McGuirk, president of Turner Sports, the companies may purchase sports franchise rights jointly and divide games among TBS, TNT, the Prime national feed and the Turner and Prime RSNs.

So far, the two regional sports players have kept head-to-head competition to a minimum. The one-to-a-market scenario makes the long-term prospects of RSNs especially promising. "No question about it, RSNs are poised to make a lot of money," says Bortz.

The RSNs are spending money to make money, bidding more and more aggressively for product. SportsChannel America is currently in the second year of a three-year $52 million contract with the National Hockey League. In 1989 New York's Madison Square Garden Network plunked down an estimated $500 million for 12 years of exclusive rights to Yankees telecasts.

Despite the litany of big-ticket properties, RSNs have been able to pay low fees for most of their product—so far. As rights come up for renewal, the profitability of RSNs will be tested by their ability to keep prices from getting out of hand. In the Bay Area, SportsChannel is attempting to launch a competitor to Prime affiliate Pacific Sports Network, inflating bids for rights to San Francisco Giants and Oakland Athletics baseball games. Professional basketball's recent expansion led to a bidding war between SportsChannel Florida and sunshine for rights to both the Miami Heat and Orlando Magic. John Mansell, a Paul Kagan Associates analyst, says the franchises are receiving a total of about $13 million for five years. "It's probably true that we would have paid less [for the rights to the Orlando Magic] if there had been no SportsChannel here," admits Dave Almstead, general manager of the Sunshine Network.

When they're not trying to outbid each other, the two regional camps fight over channel space. In Florida, where Sunshine and SportsChannel Florida compete for carriage, the benefits of MSO ownership are apparent. According to Jeff Gentner, SportsChannel is in 85 percent of the cable systems that don't own part of Sunshine, but only 17 percent of those owned by a member of the consortium. "You can draw your own conclusions," he says.

Ed Frazier, Prime's president and chief executive officer, says that Florida cable operators asked for carriage proposals from both RSNs more than a year ago and that SportsChannel had an equal opportunity to present its case at that time. Now, Frazier says, in Florida and elsewhere SportsChannel is ignoring the
fact that many operators have limited channel capacity.

But some observers laugh at what they consider a rationalization. "[Cable networks] haven't gotten into bed with MSOs just for the fun of it," notes Phil Mushnick, a sports writer for the New York Post who has been critical of cable.

One of Mushnick's targets has been Cablevision. SportsChannel New York has always been one of the most profitable RSNs in the country, in no small part due to Cablevision's huge subscriber base in the New York metropolitan area. The MSO has a near-monopoly on Long Island.

Last year, when MSGN wanted to switch to an all-basic service and raise its operator fees, Cablevision Systems insisted it remain a part of the same premium tier as SportsChannel New York. A months-long stalemate left hundreds of thousands of New York-area cable subs without MSGN, which carries Knicks basketball, Rangers hockey and Yankees baseball. The controversy received so much attention in the nation's biggest media market and elicited such an outcry from angry fans that it's been cited as the most important reason for last year's congressional hearings on the shift of sports to cable.

Los Angeles has become another RSN battlefront—the only market, outside of Florida, where SportsChannel and an up-and-running Prime O&O compete. In this case, Prime Ticket dwarfs SportsChannel with a thirty-to-one advantage in subscribers—partially because Prime is a basic service and SportsChannel is on a premium tier.

Four years ago, Daniels secured two of Prime's most important properties—Lakers basketball and Kings hockey—at bargain basement prices into the next century. It now claims 3.6 million subscribers and is available in 99 percent of L.A. area cable systems.

SportsChannel Los Angeles, on the other hand, pays about $7 million per year for 35 Dodger and 35 Angel games. John Mohr, president of SportsChannel Regional Networks, says his baseball deal leaves a big void in Prime Ticket's summer schedule. But when the hefty rights fees are stacked up against the RSN's 125,000 customers, each paying about $7.50 per month for the channel, many wonder whether the channel can become profitable anytime soon.

Several RSNs are safe from some bidding wars because their owners have invested in sports franchises. The Southeast Sports Network televises the Atlanta Hawks and Braves, both of which are owned by TBS. Madison Square Garden Network has the Knicks and Rangers under lock and key since both are owned by the network's parent, Paramount Communications. Jerry Buss owns both the Los Angeles Lakers and a minority

<table>
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<td>SportsChannel Chicago (1.5 Million)</td>
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<tr>
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<tr>
<td>Sunshine Network (2.5 Million)</td>
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<td>Fla.</td>
<td>Magic, college events</td>
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Leveling the Playing Field

Broadcasters are watching with increasing trepidation as more and more sports programming moves from free television to cable. "Baseball and the NFL have received antitrust exemptions by claiming they're not merely a business, but are part of our social fabric," says Preston Padden, outgoing president of the Association of Independent Television Stations (INTV). Padden insists they shouldn't have it both ways—sports is either a business to be treated like any other, or a protected industry with an obligation to the public to remain on free TV.

Free TV is also free to cable operators. Broadcasters complain that advertising and fees paid by systems give regional sports nets a dual revenue stream, while TV station signals are picked up by operators free of charge. "If I pulled my station off cable, their disconnect rate would go through the roof," says one broadcaster whose station has been carrying Major League Baseball for decades. "If you gave me a nickel per sub, I could play in anyone's park."

Broadcasters are counting on some powerful friends in Washington for help. Sen. Howard Metzenbaum (D-Ohio), chairman of the Senate Antitrust Sub-committee, is a longtime critic of cable deregulation. Late last year Metzenbaum held hearings to investigate whether consumers are being hurt by the shift of sports programming to cable television.

In the House, Rep. Charles Schumer (D-N.Y.) has introduced The Baseball Viewers Protection Act of 1989, which in many markets would require major-league teams with cable contracts to broadcast at least 50 percent of their games on a TV station.

RSNs argue that the number of hours devoted to sports by broadcast stations has actually been increasing in recent years. According to a study released last November by Prime Network, broadcast stations in Denver, Houston, Los Angeles and Orlando, Fla., have increased the number of hours devoted to sports by an average 16 percent since Prime launched RSNs in those markets. The study does not, however, make any assertions about the quality of that extra programming compared to what has moved to cable.

The regionals see nothing wrong with franchises selling their TV rights to the highest bidder. "This country is based on the free enterprise system," says John Mohr, president of SportsChannel Regional Networks. "It doesn't say anything in the Bill of Rights about a citizen's right to watch his favorite team." Mohr thinks all sports will be on cable eventually, including the Super Bowl and the World Series.

Making viewers pay to watch championship events may not be as far fetched as it sounds. At the national level, baseball and football already have lucrative national cable deals, and are certain to try to increase that revenue stream each time contracts are up for renewal.

On the regional front, broadcasters point to Madison Square Garden Network's current contract with the New York Yankees as a sign of things to come. MSGN reportedly paid $500 million for 12 years for the exclusive rights to air the Yankees, and beginning in 1991 they are under no obligation to lay off any of the games to a broadcasting outlet.

A.S.

In addition to competition from their own kind, RSNs may also face more aggressive bidding from broadcasters in the future. Recently, independent KPLR St. Louis signed a three-year broadcast-only contract with the Cardinals baseball team, outbidding a consortium of NBC affiliate KSDK, SportsChannel, and the local Cencom Cable system, which had been airing pay-per-view Cardinals' games.

The more RSNs pay for sports, the more they have to charge consumers. And sometimes the sports franchises don't want to be on basic. In several markets, SportsChannel's heavy baseball schedule has forced it to buck the trend of offering RSNs as basic services. "For the most part [baseball teams] like pay," explains Bill Wischman, general manager of Michigan's PASS, home of the Detroit Tigers. "They play in the summer when people have a lot more options, so they are very sensitive to the gate."

Although both premium and basic sports channels sell advertising, advertisers prefer basic's larger audiences. "Advertisers look at cost per thousand," says a sports specialist at a major New York ad agency. "As good as any cable channel is, it's still not reaching the entire ADI. Basic at least gets it close."

A premium RSN needs 15 to 30 percent penetration to be economically sound. In most areas that's not easy, according to Frazier, who is in the process of converting all of Prime's systems to basic. "With pay we were finding we had the worst of both worlds," he says. "Margins weren't enough to sustain us, and there was no stream of advertising revenue."

SportsChannel, on the other hand, intends to keep its premium/basic mix. "I love the basic business," says SportsChannel's Mohr. "But we think for the operators it's ultimately going to be difficult to sustain because they are under pressure to keep basic rates down. Pay is an option in many markets."

Consultant Bortz agrees with Mohr that although the past year or two has seen a shift toward basic, the pendulum could swing back. "With increased concern about the regulation of basic cable fees, systems might be forced to move back to pay," he says. "Regional networks are positioning themselves to shift again if that regulation occurs. They've begun to ask for language that would give them that right." Should local sports franchises become available solely on pay channels, however, public anger about the shift of sports off of free TV would be exacerbated.

To be basic or not to be basic may still be the question in the RSN business. At the moment, most RSNs, basic or not, are struggling to break even. But two cable pioneers who have guessed right before, Daniels and Dolan, are betting that they are building their sports networks into cable's cash cows of the '90s.


Those RSNs not partnered with a sports franchise or an MSO are vulnerable to the encroachment of Cablevision's SportsChannel or TCI's Prime. The dearth of new geographic opportunities also leaves the handful of remaining independents susceptible to an invasion by the large RSNs.

"Sure it's a concern," says William Aber, vice president and general manager of Westinghouse-owned Home Team Sports in Washington, D.C. "The problem with this business is that it requires a tremendous amount of upfront cost, which limits the players. There's no reason why either one couldn't come here and compete, maybe even dominate." ITS is already linked with both combatants. Westinghouse subsidiary Group W handles national ad sales for Prime Network, and HTS carries hockey games purchased from SportsChannel.

The few regional networks that aren't part of the Prime or SportsChannel families can survive—if they want to. "The question is whether their parent companies want to realize the networks' equity value," offers Bortz. "I expect to see more consolidation."
Now more than ever, cable professionals need to know where the industry is headed in the '90s. That's why CHANNELS' March, April & May "In Focus" sections examine every facet of cable in the new decade. The following three consecutive must-read issues, perfectly...

Space Closing: Monday, January 29th
Materials Due: Wednesday, January 31st
As cable executives get ready for the Texas Show, they'll turn to this issue's "In Focus" section, "The Cable Programming Squeeze," for a first look at what to expect from programming heads at cable networks.

Space Closing: Friday, March 9th
Materials Due: Tuesday, March 13th
At CAB, your specialized audience of cable advertising sales executives will read this month's "In Focus" section, "Cable Hones Its Ad Pitch," which provides an in-depth analysis of cable operators' growing ad revenue stream.
timed for three important upcoming conventions, provide an ideal advertising opportunity to target your audience of cable professionals:

**What's more, here are some of the exciting benefits you'll receive when you place your sales messages in CHANNELS' cable convention issues:**

- **Multi-Issue Discounts New for '90**
  Run in all three cable convention issues (March, April and May) and receive a 10% discount over and above your earned frequency rate.

- **In-Room Convention Distribution**
  Your ad in CHANNELS' cable convention issues will be polybagged and distributed in-room at all official Texas Show, CAB & NCTA hotels and at the display areas on the convention floor.

- **Free-Standing Inserts**
  On a first-come, first-served basis, we'll include your promotion literature with CHANNELS' cable convention issues distributed in-room.*

- **Bellybanding New for '90**
  Also on a first-come, first-served basis, we'll print your message on the bellyband that wraps around CHANNELS' cable convention issues.*

- **Convention Pathfinder New for '90**
  Have some last minute news? Scheduling a special event during the convention? Run a page or more in CHANNELS' cable convention issues and you'll earn, at no addition cost, a B&W ½-page unit (a $695 value) in our special Pathfinder section. You can include your company's—or show's—logo or photo with up to 50 words of copy. As an added feature, we'll include your company's convention location.

- **Exhibit Locator New for '90**
  A special card will accompany the convention issues and will list the exhibit number of all advertisers in CHANNELS' cable convention issues.

- **"As Seen In CHANNELS" Ad Display Cards**
  When your full page or larger ad appears in CHANNELS' cable convention issues, we'll laminate and mount it for display at your convention location.

**Space Closing:** Friday, April 27th  
**Materials Due:** Monday, April 30th

CHANNELS' NCTA "In Focus" section, "Cable's Future Mandate," thoroughly examines cable's regulatory and programming challenges in the new decade. Plus, the issue's popular "10 to Watch" profiles will be a must-read for NCTA attendees.
REGULATION

The Trials of RKO

RKO's scandalous history and lingering death are the stuff that epics are made of. Unfortunately, many of the FCC licensing procedures that created the mess are still in place today.

By Elizabeth Jensen

When Alfred C. Sikes was sworn in as the new chairman of the Federal Communications Commission last August, he inherited, along with syndicated exclusivity, telcos and indecent radio, the makings of a great miniseries. Greed, corruption, fraud, illegal political contributions, bribery of foreign officials, intervention by influential politicians, the crumbling of a family dynasty, and money, lots of money: The saga of RKO has everything but sex.

But RKO: The Miniseries may never get made, because RKO: The Case may never end. It’s been dragging on for 24 years, and the appeals aren’t yet exhausted. In its long, lawyerly run, the case has become a symbol for anyone (and that’s nearly everyone) who finds fault with the FCC’s broadcast license renewal procedures.

Outdated and unworkable, these policies fail to recognize that station licenses are worth millions of dollars and thus encourage abuse from both sides of the spectrum. For payoff-seeking challengers with no intention of acquiring a station, it makes “greenmail” respectable. And for unqualified license holders—even law-breaking ones—the FCC offers bureaucratic shelter.

The case against RKO started off routinely enough in 1965, when FBI agent-turned-lawyer William G. Simon went to the FCC and said he wanted to run RKO’s KHJ-TV in Los Angeles, promising to give Angelenos better programming than the old movies and excessive commercial load then running on the station. The outcome, however, has been anything but routine.

RKO received the broadcast equivalent of the death penalty not once, but 15 times, and still the government couldn’t kill it. In its rush to speed RKO’s exit from broadcasting, the FCC allowed the company to sell off 12 radio stations and three of its four television outlets. (RKO lost WNAC-TV in Boston outright, though it did manage to sell off the studio equipment for $20 million.) After paying off approximately 70 license challengers to the tune of $200 million, RKO walked away from the broadcasting business with more than $800 million in pretax profits—a staggering sum for those who think the company should have been forced out empty-handed.

The story of RKO does have a moral, says Andrew Schwartzman, executive director of the watchdog Media Access Project. “If you’re big enough and stupid enough to make the same kinds of mistakes repeatedly, but smart enough or lucky enough to afford good attorneys, you can come out reasonably unblemished.”

But Shane O’Neil, who ran RKO from 1982 to 1986, insists that RKO was victimized by an overzealous, regulation-minded FCC, itself under extraordinary pressure from Congress to hold broadcasters’ feet to the fire. “When I took over RKO the whole process was out of control,” says O’Neil. “RKO didn’t have control, the challengers didn’t have control and the FCC didn’t have control.”
RKO could—should—have been one of today's oldest and strongest media empires. The history of the company is, in many ways, the history of the radio-television industry.

When William O'Neil ("W.O.") founded General Tire & Rubber (now known as GenCorp), in Akron, Ohio in 1915, radio was an experimental technology. But General Tire grew with the medium and became one of radio's heaviest advertisers. In 1939, W.O.'s eldest son, Bill Jr., bought WJW-AM in Cleveland. Soon after, General Tire decided for all the money it spent on ads, it could just as easily own stations. In 1942, the company paid $1.3 million for the Yankee Network, which included six radio stations, among them WRKO-AM/WROR-FM in Boston.

W.O.'s second son, Tom, who started out in the business in 1937 as a tire salesman and worked his way up, was put in charge of General Tire Radio in 1946 upon returning home from the war. The division was moving into television, over the objections of the skittish General Tire board, and Tom oversaw sign-on of RKO's first television station, WNAC-TV, in Boston on June 21, 1948.

In 1955, Tom was struggling to find movies for General Teleradio's two independent TV stations (WOR in New York and KHJ in Los Angeles), because none of the major studios would rent their libraries. He convinced reclusive billionaire Howard Hughes to sell RKO Radio Pictures for $25 million, making RKO the only group with access to such major studio product. The renamed RKO General sold the studio—but not the film library—to Desi Arnaz and Lucille Ball in 1957 for $6 million, and branched out into soft-drink bottling, movie theaters, cable systems, resorts, marine towing operations, even an airline (and along the way passed up offers to buy ABC and TWA). W.O. died in 1960 and Tom, president of RKO General, added the post of chairman of General Tire. Brother M. Gerald was president of General Tire, while brother John was chief financial officer.

By 1965 RKO had independent stations in major markets, with good product and strong radio franchises for cross-promotion. So why was William Simon able to mount a successful challenge against KHJ?

In 1965, in an era when serving the public interest was still a requirement for broadcasters, management ran the RKO stations like money machines. RKO's two major independents, WOR and KHJ, carried little local news and lots of commercials stuffed in between the movies.

When an FCC administrative law judge pondered the "promise vs. performance" standard governing a competing application for an existing license, he saw that "an inordinate amount of time was devoted by KHJ-TV to a bit-of-old-movie, a plea-for-the-sale-of-goods-or-services; a bit-of-old-movie, a plea-for-the-sale-of-goods-or-services... hour after hour, day after day, week after week, month after month, year after year, ad infinitum ad nauseum. To hold... that this kind of air time utilization does not serve the public interest is an exercise of restrained understatement."

Shane O'Neil, the 42-year-old grandson of W.O. and rightful heir to the now-dismantled empire, is more blunt: "RKO was the K mart of broadcasters. They bought cheap programming and put on as many spots as they could."

In a rare interview, Shane's father, Tom O'Neil, argues that the commercials were necessary to support the stations: "For a viewer there are always too many commercials; for an owner there are not enough." Unlike many broadcasters who devel-
MAP's Schwartzman. "If you want to be a broadcaster, you have to do it one way. The supposed deal is, you get the opportunity for extraordinary profit at minimum risk, in exchange for concerning yourselves with the affairs of the community, knowing what goes on."

Although RKO was based in New York, both it and parent General Tire took their character from their Midwestern roots: profoundly conservative, paternalistic to the point of never firing anyone, anti-bureaucratic, anti-East Coast establishment, run by executives who thought they knew what was best for their business and didn't want Washington telling them what to do. In a celebrated statement the FCC cited in revoking the WNAC license, General Tire vice president Tress Pittenger once told an FCC staff member not to hold his breath while waiting for additional material to be submitted because, he said, "you'll turn blue."

General Tire/RKO had "a negative attitude toward what they considered a politicized FCC," says Shane O'Neil. The philosophy, he says, was that the enemy "wasn't in Moscow, but in Washington," where "weirdo, busybody Harvard-trained lawyers" were constantly meddling in the company's affairs. The companies did not cooperate with the FCC more than was legally required.

General Tire, like many diverse manufacturing companies of its size, was hardly a model citizen. According to allegations in the WNAC case, it had an illegal political slush fund—contributions paid for out of company and used to bribe executives to smooth the FCC's path by not investigating any of the complaints.

When all these activities were coming to light in the mid-1970s, General Tire/RKO compounded the problem by: neglecting to tell the FCC that General Tire was being investigated by the Securities & Exchange Commission regarding its foreign operations; failing to notify the FCC that allegations concerning political contributions were being looked into by the SEC; allegedly destroying documents relating to the FCC investigation into RKO's record keeping for barter and trade advertising.

Shane O'Neil still argues that RKO's sole transgression was "they were not polite to the FCC." But four of the seven FCC commissioners saw things differently. While the challenge to KHJ (and later against WOR-TV in New York) revealed RKO's problems in the "promise vs. performance" department, the challenges against WNAC in Boston were more daunting because they went to the core of RKO's fitness to own a broadcast license—any license. The sins of the parent overwhelmed WNAC, and in 1980 the commission handed down the death sentence. RKO was disqualified as the licensee of WNAC and neither KHJ nor WOR would be renewed. The reasons: "Lack of candor, concealment of decisionally significant information, and participation in anti-competitive practices."

RKO got a partial reprieve in December 1981 when the U.S. Court of Appeals in Washington upheld the WNAC decision, but told the commission to take another look at WOR and KHJ. What joy there was at RKO, however, was short-lived. Soon after the Appeals Court ruling, there came the proverbial straw that broke the camel's back.

An ad agency executive discovered that an ad he bought for a client on RKO Radio Network News hadn't aired. The subsequent investigation claimed that the networks, starting in 1979, bilked advertisers of $13.5 million: $7.9 million in ads that never ran (RKO double-sold the time) and an additional $5.6 million in make-goods that should have been provided for ads that aired but didn't reach the guaranteed audience. RKO allegedly avoided paying the make-goods through an elaborate scheme of hand-altering station clearance reports that were part of the RADAR system of network radio audience measurement.

The scandal nearly brought the entire $400 million network radio marketplace crashing down with it. A number of top executives were fired, and the networks sold. The president of RKO Radio Networks, Thomas Burchill, left before the fraud was discovered to head the Lifetime cable network. He was never charged. Though RKO was upfront with the FCC, once the scandal broke, it was the last straw.

"No case ever before decided by this commission presents dishonesty comparable to RKO's," wrote Administrative Law Judge Edward J. Kuhlmann in his August 1987 ruling which, after protracted hearings, recommended denying license renewals for the remaining 12 radio and two TV stations (RKO had already lost WNAC and sold WOR). "There is not a single case
of fraudulent billing practices investigated and reviewed by this Commission which exhibits as many practices affecting as many advertisers over as many years.’”

But again, the commission gummed the bullet by letting RKO sell off the stations.

“In the endgame, you had an FCC that was genuinely dedicated towards letting them off the hook, a commission which acted as though its own administrative law judge was off the reservation because he kept on finding facts that were inconvenient,” says Schwartzman. “Certainly, too many members of the FCC were too reluctant to want to take a severe action against the big boys.”

Meanwhile, through political maneuvering, RKO was able to liberate WOR from the challenge process. New Jersey Senator Bill Bradley, anxious to capitalize on New Jersey’s chronic frustration at a lack of media exposure, wanted to bring WOR to New Jersey, to become the state’s only TV station.

In Bradley’s determination, RKO saw a chance to save at least one of its increasingly valuable licenses. In a deft move, Bradley attached a rider to the 1982 federal budget bill offering a non-conditioned license renewal to any commercial broadcaster who agreed to move a TV station to any state without one. The only states affected were New Jersey and Delaware; the only station ever to move because of the bill was WOR—which RKO later sold for $387 million to MCA.

Schwartzman calls the deal to save WOR, “the most classic kind of special-interest legislation imaginable. It was an extraordinary piece of legislative fancy footwork. Through having very, very good lawyers, wearing down the competition, taking full advantage of due process supposed to protect little people, they effectuated a series of deals letting them off.”

RKO’s lawyer, Tim Dyk, of Wilmer, Cutler, Pickering, calls it “a creative solution to a longstanding problem, an excellent approach which really benefited the public very substantially.”

Lewis Paper, attorney for WOR challenger Multi-State Communications, is ambivalent. “The legislation was justified to the extent that it was unfair New Jersey didn’t have a television station. Bradley utilized an opportunity, which was certainly a legitimate approach. But I think that goal could just as easily have been served without giving the station back to RKO. Legislation could have been adopted that any comparative proceeding applicant which agrees to move to the state be given decisive preference.”

In both the WOR sale and settlements for its other stations, RKO had used the commission’s own rules to stretch out the renewal process until a more sympathetic, deregulatory commission came to power. It’s a process made possible by an amendment to the 1934 Communications Act that allows broadcasters to hold onto the license—and profits—for the duration of a license challenge.

“Most of the delays in any case are delays that have been deliberately imposed by the parties,” says Nicholas Johnson, an FCC commissioner at the beginning of the RKO case (1967-72). “They’re operating at a substantial profit which they continue to get. They’ll pay an extra $500,000 in legal fees for that delay.”

For RKO, legal fees were in the $30 million neighborhood, according to Shane O’Neil, but that was a small expense compared to 24 years of operating profits and the $800 million sale value. RKO benefited from a Solomonic compromise at the FCC. As a deterrent to future wrongdoing, the FCC-approved settlement forced RKO to sell the stations at less than fair market value and made the company split one-third of the sale price for each station among the challengers.

In a sense, control was exercised over process by initiating the settlements,” says Dyk. “That is something we hope prevents the case from going on another ten years, if the settlements are successfully consummated in all markets.”

As Paper points out, however, an argument can be made that, by allowing RKO to sell instead of going through an even longer process of comparative hearings, the FCC is telling broadcasters they “can violate FCC laws and rules with impunity knowing that if they’re caught with their hand in the cookie jar, they’ll merely be forced to sell.”

Shane O’Neil looks at it differently. His problems stem from the 1934 Communications Act, which imputes no inherent value to a station license. “Market value exists, $1 billion worth of assets exists. Who are the challengers that they should get $200 million? Are they worthy or did they win the lottery? A challenger’s sole motivation is economic. They’re essentially gambling legal fees, expenses and time against enormous gains. Either they’ll get paid off or get the license.”

The RKO case, according to Dyk, “underlines the dissatisfaction with a process that allows untested broadcasters to come in and challenge people with long track records. It’s important to remember here that when you’re talking about RKO’s performance, with all the difficulties it has had, there hasn’t been anyone who really disputed that its programming rendered a very great public service to the communities it serves.”

Johnson, a law professor at the University of Iowa, sees a broader issue. “RKO illustrates the problem that came about as large conglomerate corporations were permitted to buy up broadcasting properties. A lot of unfortunate things happen when you permit non-human beings to become broadcast licensees, or permit them to have more than one license. Should you lose a station in L.A. because of something you did in Boston? What exactly are you punishing, why, who, in what way? If something called RKO with a remote subsidiary holds licenses, and there’s a different manager for each station, and one of the managers does something hideous, does it mean you should lose all the stations? Or should that station be sold or lost and that’s the end of it? It creates a genuine problem.”

It’s a problem that won’t be resolved without reform of the license laws. As for RKO, the meter on the case keeps ticking. At this writing, RKO still acknowledges no wrongdoing and the FCC has yet to rule on RKO’s appeal of Kuhlmann’s decision, although no one expects the commission to act, expecting instead that it will let all the station sales go through and not further complicate the mess.

Meanwhile, a group called Los Angeles Television has challenged the settlement under which KHJ was sold to The Walt Disney Co. The U.S. Court of Appeals in Washington has agreed to hear the case. Even though the sale was closed and the FCC signed off, the court could reverse the settlement.

And then what? Sighs one lawyer who has practically made a career off RKO: “We unscrew the omelet.” Or maybe add another several hours to the miniseries.

Elizabeth Jensen is a reporter for the New York Daily News.
Changes In The Weather

Weather-graphics companies now offer some turbo-charged machines for whiz-bang imagery.

BY MICHAEL BURGI

Until about five or six years ago, weathercasters were frustrated. The animation and graphics on their forecasts consisted of barely decipherable black-and-white satellite images, perhaps with a few arrows stencilled on. Recent advances in computer technology, however, and the increasing proficiency of high-power PCs, have led to significant leaps in the $50 million weather-graphics industry. What's available now, says Bob Ryan, chief meteorologist at NBC O&O WRC-TV in Washington, "is a system that lets us do graphics with compatible resolution to the rest of the news."

Companies such as Kavouras, Accu-Weather, Environmental Satellite Data (ESD) and Colorgraphics, among others, offer graphics in a few different forms: graphics software packages designed to run on PC hardware; software and hardware together in the form of a workstation; and workstations combined with satellite imagery and data services. A look at their products reveals that the companies provide similar gadgetry, the main difference being cost. Most packages now offer sophisticated wipe styles (transitional animation from one image to another, the equivalent of a fade in video), significantly higher-resolution images and improved paint-box techniques (which allow weathercasters to put sunglasses on suns or raindrops in clouds).

Colorgraphics, a Madison, Wis-based computer graphics company, offers a series of full-service weather workstations called LiveLine. The newest version, LiveLine 5, which sells for around $95,000, is known for its ability to interface with other companies' satellite images and feeds, and to produce high-quality graphics with that data. "I do almost all my own graphics on LiveLine," says Rob Fowler, chief weathercaster at ABC affiliate WCBD in Charleston, S.C. "It gives me excellent resolution and it's really easy to use." But WRC's Ryan estimates that a LiveLine 5 with all the options can run $120,000.

Accu-Weather provides both weather graphics and data services, or more simply, information and the means to present it. Accu-Weather's workstation, UltraGraphix 240, boasts Macintosh-based architecture for ease of use and is designed to work with its new UltraGraphix images (a service offering maps, pre-made graphics, radar images and lightning data). UltraGraphix 240 costs under $30,000.

Another competitor, ESD, offers the Front End workstation, on which stations can receive and store satellite imagery and text. The most recent Front End starts at around $25,000 and goes up as more options are purchased. Last year, ESD introduced Weather-Graphics, a service similar to Accu-Weather's workstation/service setup. Ryan, who uses Weather-Graphics on a LiveLine 4, believes it complements LiveLine to a tee. "ESD does satellite imagery better than anyone," he says. "I punch that through my LiveLine to add animation and I'm set."

Then there is Minneapolis-based Kavouras. Providing both workstations and satellite data, Kavouras sells its high-end Art Paint workstation for about $80,000. Kavouras clients such as hometown station KSTP rave about Kavouras's fast and inexpensive data delivery (it is sent by satellite, not over phone lines like most services). But other stations say they avoid Kavouras because its equipment and data are not compatible with other services. That doesn't bother Kavouras, says broadcast products manager Peter Sappanos, "because our philosophy is to get stations to rely only on us, not other services."

A number of other companies offer graphics packages, weather data and images or some combination thereof, giving stations a variety of choices. But WCBD's Fowler warns weathercasters against packing forecasts with gimmicks. "Too many bells and whistles can bother people," he says. "Most of the time, they just want to know whether or not to take their umbrella."
Not Just A Broker

Cable Investments plans to grow by adding services and bringing new money to cable.

Conventional wisdom holds that you can't be all things to all people. But in today's ultra-competitive cable brokerage business, it pays to be most things to most people. Diversification of services is not only essential for success, it's becoming necessary for survival.

For Robert Brown, chairman, president and founder of Cable Investments Inc., that means a concerted effort to develop new businesses—most recently, an aggressive strategy of moving foreign money into U.S. cable properties. "I think the key to our success has been the ability to go in and talk to a client about investment banking, merchant banking, the possibility of brokerage, or even helping them find an equity partner," Brown says. "We're not just one of those firms that calls up and says, 'Do you want to sell your cable system today?' We go a lot further with our clients to find out what their overall financial needs may be."

Cable Investments' genesis was much more modest. As a broker with Daniels & Associates in the late '70s, Brown spent six years cultivating relationships in the cable industry and was responsible for bringing in more than $100 million in cable-related transactions. By 1982, however, he was ready to move on and believed he could establish a brokerage focusing on the smaller deals that often got lost at the largest firms. Subsequently, Brown has built a one-man cable brokerage into a diversified 18-person operation with more than $200 million in cable listings and investment banking assignments already on the books for 1990.

The Denver-based company rapidly outgrew its initial focus and began aggressively expanding into realms outside of straight brokerage. "We've really evolved over the years and have developed tremendous expertise in the investment banking and merchant banking side of the business," says Brown. "Over the last three years, about 50 percent of our revenues have come from investment banking deals as opposed to straight brokerage deals." These days, the firm handles transactions ranging from a few million dollars to its largest to date, a $147 million San Juan, Puerto Rico, cable transaction co-brokered with PaineWebber.

Cable Investments continues to develop new means of generating business. Brown credits much of the company's current surge to the development of a sophisticated computer program that tracks cable system growth and identifies properties that may be near maturity. Explains Brown: "We track certain companies that may have raised funds on a limited partnership basis or may have acquired systems three to five years ago, may be running out of depreciation and may be candidates for divestiture. We've got staff members who do nothing but research deals out there that other firms don't yet know about."

The company has also beefed up its staff, adding seven people in the past 12 months alone. "By staffing up, we ensured our ability to get a larger percentage of the marketplace," Brown says. "By putting our brokers into specific territories and having them focus on a region of the country, attending local, state and regional cable conventions, we have developed specialization and built continuity."

He thinks such moves will serve his company well in the emerging cable marketplace of the 1990s. "Every five years there is a projection that cable's final consolidation will take place in the next five years," Brown explains. "Our view is that's not going to take place in the next five years or any given five-year window that we can see in the next ten years. We see this business being one of tremendous activity."

The U.S. cable market, believes Brown, is ripe for foreign investment. He wants Cable Investments positioned to handle the deals: "It's a business segment that has not been explored properly; everybody has been taken by the siren song of investment in Western European cable by U.S. operators, and I think there's a play the other way."

Regardless of how the cable market develops in the '90s, Brown says the key to success will remain the continual addition of services. "Firms that offer the broad range of services that we do will be the ones who prevail in the next five to ten years, and its going to become increasingly difficult for little guys to get assignments," he concludes. "The fellow who only has one story to tell when he talks to a client is going to be rejected as just a broker."

Contributing editor Paul Noglows is the editor of Media Business.
**Industry Segment Profiles**

The indices represent four segments of the industry: Cable: seven MSOs and programmers; Broadcast: seven TV broadcasters and station-group companies; Producers/Syndicators: six Hollywood production companies; and Diversified: six companies with interests in more than one area (e.g. cable and broadcast).

**Diversified**

<table>
<thead>
<tr>
<th>Percent Change from Week Prior</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/06</td>
</tr>
<tr>
<td>0.20</td>
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</tbody>
</table>

Source: Media Business

**Producers/Syndicators**

<table>
<thead>
<tr>
<th>Percent Change from Week Prior</th>
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</thead>
<tbody>
<tr>
<td>10/06</td>
</tr>
<tr>
<td>0.20</td>
</tr>
</tbody>
</table>

Source: Media Business

**Broadcast**

<table>
<thead>
<tr>
<th>Percent Change from Week Prior</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/06</td>
</tr>
<tr>
<td>0.20</td>
</tr>
</tbody>
</table>

Source: Media Business

**Cable**

<table>
<thead>
<tr>
<th>Percent Change from Week Prior</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/06</td>
</tr>
<tr>
<td>0.20</td>
</tr>
</tbody>
</table>

Source: Media Business

**Cable Penetration By State**

Cable penetration continues to grow, albeit at a slower rate, than a few years ago. Average penetration per state is at 56.3 percent. One area excluded from the listing below is the District of Columbia (not a state), which has the country’s lowest penetration at 27 percent of its 249,080 TV households.

<table>
<thead>
<tr>
<th>Rank State</th>
<th>Cable TV % of TV Households</th>
<th>TV Households (January 1990)</th>
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</thead>
<tbody>
<tr>
<td>10.06</td>
<td>83%</td>
<td>350,920</td>
</tr>
<tr>
<td>2.00</td>
<td>77</td>
<td>2,000,990</td>
</tr>
<tr>
<td>3.09</td>
<td>71</td>
<td>2,868,580</td>
</tr>
<tr>
<td>4.00</td>
<td>69</td>
<td>3,164,230</td>
</tr>
<tr>
<td>5.00</td>
<td>69</td>
<td>3,183,730</td>
</tr>
<tr>
<td>6.00</td>
<td>67</td>
<td>3,224,450</td>
</tr>
<tr>
<td>7.00</td>
<td>67</td>
<td>724,090</td>
</tr>
<tr>
<td>8.00</td>
<td>67</td>
<td>5,188,930</td>
</tr>
<tr>
<td>9.00</td>
<td>63</td>
<td>953,950</td>
</tr>
<tr>
<td>10.00</td>
<td>62</td>
<td>5,118,930</td>
</tr>
</tbody>
</table>

**TOP NETWORK SERIES**

First 6 weeks of season, Sept. 18, 1988 through October 29, 1988.

<table>
<thead>
<tr>
<th>SERIES</th>
<th>NETWORK</th>
<th>RATING</th>
<th>SHARE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00</td>
<td>Roseanne/ABC</td>
<td>26.1/40</td>
<td></td>
</tr>
<tr>
<td>2.00</td>
<td>The Cosby Show/NBC</td>
<td>24.6/41</td>
<td></td>
</tr>
<tr>
<td>3.00</td>
<td>Cheers/NBC</td>
<td>23.9/38</td>
<td></td>
</tr>
<tr>
<td>4.00</td>
<td>A Different World/NBC</td>
<td>22.7/37</td>
<td></td>
</tr>
<tr>
<td>5.00</td>
<td>The Wonder Years/ABC</td>
<td>21.5/33</td>
<td></td>
</tr>
<tr>
<td>6.00</td>
<td>Golden Girls/NBC</td>
<td>21.0/37</td>
<td></td>
</tr>
<tr>
<td>7.00</td>
<td>Murder, She Wrote/CBS</td>
<td>19.8/30</td>
<td></td>
</tr>
<tr>
<td>8.00</td>
<td>Don John/NBC</td>
<td>19.7/32</td>
<td></td>
</tr>
<tr>
<td>9.00</td>
<td>Empty Nest/NBC</td>
<td>19.6/35</td>
<td></td>
</tr>
<tr>
<td>10.00</td>
<td>60 Minutes/CBS</td>
<td>19.6/34</td>
<td></td>
</tr>
</tbody>
</table>

**TOP BARTER SERIES**

First 5 weeks of season, Sept. 18, 1988 through October 22, 1988.

<table>
<thead>
<tr>
<th>SERIES</th>
<th>SYNDICATOR</th>
<th>RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00</td>
<td>Wheel of Fortune/King World</td>
<td>13.4</td>
</tr>
<tr>
<td>2.00</td>
<td>Jeopardy/King World</td>
<td>11.9</td>
</tr>
<tr>
<td>3.00</td>
<td>Star Trek: The Next Generation/Paramount</td>
<td>9.6</td>
</tr>
<tr>
<td>4.00</td>
<td>The Oprah Winfrey Show/King World</td>
<td>9.3</td>
</tr>
<tr>
<td>5.00</td>
<td>The Cosby Show/Viacom</td>
<td>9.1</td>
</tr>
<tr>
<td>6.00</td>
<td>A Current Affair/20th Century Fox</td>
<td>8.3</td>
</tr>
<tr>
<td>7.00</td>
<td>Entertainment Tonight/Teletrb</td>
<td>7.9</td>
</tr>
<tr>
<td>8.00</td>
<td>Wheel of Fortune (weekend)/King World</td>
<td>7.7</td>
</tr>
<tr>
<td>9.00</td>
<td>Nat'l Geographic Assignment/ Turner Program Services</td>
<td>6.5</td>
</tr>
<tr>
<td>10.00</td>
<td>Donahue/Multimedia</td>
<td>6.0</td>
</tr>
</tbody>
</table>

**TOP CABLE NETWORKS**

Average ratings/projected households, September 1988.

<table>
<thead>
<tr>
<th>NETWORK</th>
<th>7 A.M. TO 1 A.M.</th>
<th>PRIME TIME</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00</td>
<td>1.1/534,000</td>
<td>1.0/485,000</td>
</tr>
<tr>
<td>2.00</td>
<td>1.2/596,000</td>
<td>2.0/994,000</td>
</tr>
<tr>
<td>3.00</td>
<td>1.0/553,000</td>
<td>2.3/1,229,000</td>
</tr>
<tr>
<td>4.00</td>
<td>1.1/534,000</td>
<td>1.0/485,000</td>
</tr>
<tr>
<td>5.00</td>
<td>.8/385,000</td>
<td>.6/289,000</td>
</tr>
<tr>
<td>6.00</td>
<td>.7/361,000</td>
<td>1.0/526,000</td>
</tr>
<tr>
<td>7.00</td>
<td>.7/330,000</td>
<td>.8/377,000</td>
</tr>
<tr>
<td>8.00</td>
<td>1.0/328,000</td>
<td>1.5/493,000</td>
</tr>
<tr>
<td>9.00</td>
<td>.7/318,000</td>
<td>1.3/591,000</td>
</tr>
<tr>
<td>10.00</td>
<td>.5/255,000</td>
<td>1.0/491,000</td>
</tr>
</tbody>
</table>

*Includes multiple exposures.

*Rating reports are on a Monday-Saturday basis.

*P.M. to 5 A.M. Note: cable ratings are percentages within varying populations (e.g. cable and broadcast).

*Estimate.
THE MAGIC NUGGET

Home Vid and Kids

Children have been glued to television screens since the days of Howdy Doody and Bozo. Now, kids are being lured away from broadcast TV and cable by the success of home video. According to Channels' exclusive study, "How Americans Watch TV," almost half of all children turn on their VCRs at least three hours per week. However, parents in general say that their children watch about the same amount of TV now as they did two years ago.

Network and Spot Performance

ABC carried the Winter Olympics in 1988, so ad revenues for the network dropped in the first four months of '89. Numbers for spot TV in the first quarter of 1989 were down from 1988's fast start. Notably strong performers in first-quarter 1989 were restaurants in network TV and automobiles in spot TV.

<table>
<thead>
<tr>
<th>TOP PRODUCT CATEGORIES</th>
<th>NETWORK TV</th>
<th>SPOT TV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foods</td>
<td>-3%</td>
<td>-4%</td>
</tr>
<tr>
<td>Toiletries</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Automobiles</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Drugs/Remedies</td>
<td>-9</td>
<td>-3</td>
</tr>
<tr>
<td>Cleaners/Waxes</td>
<td>-13</td>
<td>-11</td>
</tr>
<tr>
<td>Candy/Soft Drinks</td>
<td>-13</td>
<td>-12</td>
</tr>
<tr>
<td>Restaurants</td>
<td>29</td>
<td>-2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MONTH</th>
<th>ABC</th>
<th>CBS</th>
<th>NBC</th>
<th>SPOT TV</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>-13%</td>
<td>-1%</td>
<td>13%</td>
<td>3%</td>
</tr>
<tr>
<td>February</td>
<td>-57</td>
<td>14</td>
<td>6</td>
<td>-1</td>
</tr>
<tr>
<td>March</td>
<td>11</td>
<td>2</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>April</td>
<td>4</td>
<td>7</td>
<td>14</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: McCann-Erickson.
Breaking The Big Three’s Stranglehold

Av Westin left the network nest for King World, to prove that sleaze isn’t the only tabloid news in syndication.

The infant business of syndicated hard-edged news magazines recruited a much-needed tutor last August, when Av Westin, executive producer of 20/20 for eight years and a 39-year veteran of journalism, joined King World, charged with revamping Inside Edition. Westin, 60, who began his career as a copyboy with CBS in 1950, recently talked news with Channels’ Merrill Brown and J. Max Robins.

Inside Edition’s Sex Appeal
This did not happen in my period, but I was told when I came to King World that a station manager in an important market took Inside Edition on condition that the sensual/sexual/titillation factor—I would call it the sleaze factor—was pumped up. And, because it was an important market, King World accommodated that individual by doing some special things. Other stations objected, and ironically, the station that asked for the special treatment found that its audience, too, was not very happy with the sleaze factor and walked away from the show.

The Current Edition
Inside Edition is, by any measure, a success story in every market that it’s in. Its ratings are stable or going up in every market. But we are in 90-plus markets, and in some places we are in access, 7:30, where your average rating can be an 8 or a 9. In some places, as we are in New York, we are on at 9 o’clock in the morning, where the most you can ever hope for is a 3.5 or a 4. In Los Angeles, we’re on KHJ, an independent, and an independent that’s trying to find its way, so the rating there is a 3 or 3.5. So our cumulative number is going to be lower. But market by market, you have a totally different picture.

Following the Network Lead
Television is a cyclical business: Cop shows are in, cop shows are out; hospital shows are in, hospital shows are out. Reality programming is now in. It hasn’t quite peaked yet. The networks themselves are programming more information than ever before, whether we mean PrimeTime Live or Connie Chung or 24 Hours. They are doing that because they—meaning the entertainment side of the business—have recognized that there is an appetite for it on the part of the audience.

The affiliates of those networks are clearly influenced by what the network does, in the sense of reassuring their managers that it’s okay now to put information programming on in time slots where it never existed before. So now local stations are looking more and more for programs that, number one, satisfy the audience’s desire for more information in some form, and number two, are less expensive. That is another point where the network and the local desires come together.

The Downfall of Sleaze
King World decided that if Current Affair was successful, they’d do Current Affair II. But what happened was, as they launched, the backlash against over-sensationalism—sensuality, sex, full frontal nudity, heavy breathing and all that—was underway. Downey was faltering. Sponsors were saying, “Wait a minute. We don’t want to be associated with this.” Inside Edition went on hiatus last summer. It didn’t go off the air; it repeated, “The Best of Inside Edition,” combining pieces and excluding, more accidentally than on purpose, the sleazy or tacky stuff. So what they essentially were putting on was a very interesting program, which was essentially middle-of-the-road. It had crime stories, but it had human involvement stories, investigative pieces. And the audience, which had not been tuning in in great numbers, began to tune in.

An examination of the ratings, I am told, indicated that when they had done during their season programs on wet T-shirt contests, spring break in Sarasota or whatever the hell it is, the ratings went down right. During the summer, in this hiatus, doing none of the sleazy stuff but doing interesting programs, the ratings stabilized and began an upward trend.

Jumping to Syndication
Michael King called and essentially offered me the following things. Of course, the salary and a share in the profits of the things I developed. But equally or more important, access to airtime. They had Inside Edition, which they felt was a viable franchise, but they felt that if it could be “taken in a 20/20 direction,” words they used, it would strengthen it.

Two, because I have an ongoing relationship with a number of major sponsors for whom I did programs at ABC, and who had said they would follow me, that would bring in new business. Three, I had some ideas for new series which, after running them past the various executives at King World, they thought could be viable.
The Human Face of the News

I remember in my days at CBS, I created with Mike Wallace The CBS Morning News. That was the first time, in '64, that we put on the air with regularity consumer news—closet alcoholism, Pap smears, all that kind of stuff, which was on at ten o'clock in the morning. And I used to walk around the corridors of CBS in '63 and '64, which was still in the residue of the Murrow years. I remember David Lowe saying, "Love your broadcast. Why don't you put some news in it?" I said, "But this is news. I've just redefined it. You have to understand..." See, in those days, news was defined as geopolitical, maybe economic. Socioeconomic only if it was, "Cigarettes are bad for your health," or something like that. But all this other stuff, which is now absolutely commonplace, was brand-new as a regular feature on the air.

Stations Go It Alone

We are already seeing a fundamental change marked by an absolute shattering of the network-local relationship. Audiences are depending less and less on what used to be the networks' flagship [news] shows. That doesn't mean Peter, Dan and Brokaw are going to be on the welfare lines, but it does mean that more and more local stations are looking to their own resources to cover the news....

Now, every station has a Ku-band; every station goes up and down, which means they are moving out from their home base. Further, because we are a personality-driven business and because so much of the station's revenues can come from its local news, the more they can enhance their local news personalities, the better off they are. So why not, for the price of an airline ticket and a Ku-band transmitter, send that guy or woman out to stories that they never would have sent them to before—San Francisco replete with their own anchors. Summits? Absolutely.

What's happening in place after place is that local stations have access to more material that is not network-generated, but that in the past has been the sole province of the network.

The End of the Evening News

If the network-local relationship for conveying information is shattering, if the Cowory shows and all that are pricing themselves out of the market, stations no longer have the reluctance to say, "Oh, the only kind of important information I can get is from the network." They are perfectly willing to say, "I'll take it from someplace else."

I visualize the relationship between the local station carrying the evening news and the network like a glass full of water, in which the surface tension is holding the water in place. Something is going to jiggle the glass, and then it's going to spill, and all the water is going to come out of it. Now, that something could be—could be—the defection of a major network figure who will provide not a nightly news program, but a Washington presence. An analysis perhaps. A Ted Koppel and two guests, like what MacNeil/Lehrer does, which the stations will buy and plug into their shows.

The Rather Report, The Koppel Moment—I don't know. You can think of something like that. The station manager already is saying, "What do I need a network for? I've got all this news. I've already done it."

The network news division's role, if that ever happens, will be instantly transformed from doing a nightly news program to providing a nightly syndication service of information, and concentrating their resources instead on more magazine shows, more Nightlines.

Sam, Diane & Connie

As a producer, I am concept-driven. I like to know what the program is, where it's going to take me. I have a sense that on Connie's program and PrimeTime Live, they are still uncertain what kind of programs they're supposed to be.

If it's supposed to be Saturday Night with Connie Chung, there's not enough of Connie Chung in it. Irrespective of what she's doing, there's not enough of her. She is a personality.

My problem with PrimeTime Live is that I don't think there's a concept there. They have arrived at four separate players, if you will. One is Sam Donaldson, who deserved a show of his own. Two was the belief that "live" would be such an important element, it would answer all kinds of problems. Three, in order to get Diane, she was told that whatever she wanted to do—in format and content—would be acceptable. And finally, somebody had the idea that an audience would be a hell of a way to tie it all together.

To use a sports analogy, all four players then got onto a field, but what's the game? It certainly hasn't lived up to the live thing, because the best stuff they've done have been essentially magazine pieces. And the audience is probably the least successful situation I have seen on any program being launched. It doesn't work. I am not interested in what a lay person, housed in from some borough of New York City, thinks about whether we should bomb Beirut. In a sense, it's an imposition on my investment of time to watch the program.
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