The 20 cable magnates who make up the Entrepreneurs Group meet two or three times a year behind closed doors. What are they talking about?
The New Age Of Basic

Number Three in a Series.

Considering the impact TNT has had on Basic Cable in only two years, you might wonder if we've reached a peak.

The answer is, the best is yet to come — for TNT, and for the Basic Cable industry. The New Age of Basic is just beginning. The next four years on TNT will bring programming of impressive depth and quality. TNT has already proven the ability of Basic Cable to attract top stars in major original productions. In upcoming months, cable subscribers can count on even more. For example, Diana Ross has signed to star in the title role “The Josephine Baker Story” and Kelly McGillis has committed to a starring role in “The Awakening.” Richard Dreyfuss, Danny Glover and Kathleen Turner are just a few of the major stars who will appear in TNT premieres in the near future.

In sports, the line-up is dazzling. During the next four years, TNT will offer television’s two most attractive sports franchises — the NFL and the NBA — in back-to-back action from fall through spring. In all, subscribers will enjoy 47 NFL games and approximately 300 NBA contests. In 1992 and 1994, TNT makes history again with exclusive cable coverage of the Winter Olympic Games. In June and July 1990, TNT presents the world’s most-watched sporting event, soccer’s World Cup.

Movie fans will continue to find a lot to applaud — over 250 features a month from

©1990 Turner Network Television, Inc. *Cable TV Facts, 1990* CAB
a massive library from MGM, RKO and pre-1950 Warner Brothers. Recently, TNT added another 1,000 titles from Columbia Pictures. TNT is proud to offer the world’s most extensive film collection, honored with 265 Academy Awards.

Families can count on TNT for the quality children’s programming that has already established a viewing tradition — wholesome entertainment that ranges from Bugs Bunny to “Fraggle Rock.”

The leadership we promised two years ago has come true. **TNT is leading the New Age of Basic.**

For the cable industry, the next few years promise to be a period of unsurpassed growth. Original exclusive programming has helped cable penetration to increase by more than three percent each of the last two years; it’s estimated to reach 65% in 1992.* Local ad revenues have grown from $368 million to $620 million since 1988: they are projected to reach almost $1.5 billion by 1995.

We’re experiencing the same kind of growth in viewership. The broadcast networks are losing viewers; Basic Cable is gaining.

**The New Age of Basic is here.** The network that the cable industry helped create as its basic flagship is the network you can count on to lead the way into the future.

---

*TNT is leading the New Age of Basic*
THE SELLING OF SPELLING

While Spelling Entertainment nears its first anniversary on the auction block, Jules Haimovitz, Ron Lightstone and the former king of prime time try to remake the company.

BY CLARE L. DREW

IN FOCUS: SHAPING CABLE'S FUTURE

CABLE'S BROTHERHOOD

Twenty of cable's best-known operators get together a few times a year to talk, but the members of the Entrepreneurs Group would rather not discuss it.

BY JANET STILSON

10 TO WATCH OUT FOR

Introducing elected officials, bureaucrats, activists and other regulators who are making things hot for cable operators.

BY JANET STILSON

A FAMILY RESEMBLANCE

In its search for secular salvation, The Family Channel has not forsaken its evangelical roots. Just what is the relationship between CBN and the cable network?

BY FREDERICK TALBOTT

MARKETING & PROMOTION

Shooting From Every Angle

Networks, battered by the competition, hope that a proliferation of highly targeted promotional spots will win new viewers and keep the old. ..........BY STEVEN BESCHLOSS

SALES

Connect the Spots

Want the NFL? Then take some USA and some Discovery, too. Seattle's Northwest Cable Advertising is among an increasing number of interconnects using high-profile sports to lure advertisers into a variety of basic cable networks. .......BY JACK LOFTUS

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News directors have discovered the environment, and are hiring investigative reporters to cover it. Now they have to decide how far they're willing to let those reporters go. ..........BY NEAL KOCH

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Are Asian-Americans the next hot demographic?
Satisfy the craving.

There's only one way to satisfy the ravenous appetite of movie-hungry consumers.

Start with an endless supply of comedies, dramas, and top blockbusters. Add a heaping portion of action and adventure and stir in an abundance of classics and romance. Spice it up with movie news and behind-the-scenes special features. Arrange them at set times during the week for easy picking. And top it all off by serving a delicious hit every night after midnight for maximum taping convenience. Package it well and label it THE MOVIE CHANNEL.

Once your subscribers try it, they're sure to be back for more.

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International
Electronic Cinema Festival
Tokyo-Montreux 1990

November 5-9, 1990
Tokyo, Japan

SECOND CALL FOR ENTRIES

The festival is a competitive event exhibiting new works produced or postproduced using high-definition television technology. Theatrical and Television productions can be submitted in the following categories:

- dramas
- news and documentaries
- sports and events
- music, variety, light entertainment
- commercial advertising and promotional announcements
- applications for science, education and libraries of still pictures

An International Nomination Committee has been formed to pre-screen all entrants. The International Jury will be composed of distinguished leaders in the film and television industries who will determine Festival awards and citations.

ENTRY DEADLINE - JUNE 30, 1990

The following items are required for entry:

- a completed entry form
- list of credits
- plot summary in English

Please send the above information to:

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P.O. Box 97
CH-1820 Montreux
Switzerland
Tel: 41-21-963-32-20
Fax: 41-21-963-78-95
To obtain an entry form contact:
(212) 688-5429
We got rid of the static on TV. Now let’s get rid of the static from cable bashers who accuse our industry of being “anti-consumer.”

How? By pointing to CNBC.

CNBC was created as a champion for consumers. Everyday, CNBC offers in-depth information on topics such as health, family, finance and buying power. With shows like “The Consumer Survival Special” that aired during National Consumers Week, CNBC addresses the issues consumers care about most.

So the next time someone calls you “anti-consumer,” call their attention to CNBC. For information call Caroline Vanderlip, VP Affiliate Relations, at (201) 585-6425.

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You should be receiving two issues of CHANNELS every month, except in July and August. If you're not, please let us know.

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PUBLISHER'S NOTE

Opportunity Amidst The Gridlock

When outside observers discuss the cable industry these days, they're often talking about limits to growth: likely regulatory constraints from Congress, the seemingly full plate of basic cable offerings, consumer resistance to price increases, a sluggish ad market. Those are all real concerns, but they shouldn't be used to characterize the state of the industry as it heads into its biggest conference of the year, the NCTA convention this week in Atlanta.

Take, for instance, new basic networks. Every launch for the last several years has faced scarce channel capacity and operators wary of rising programming fees. Yet new channels continue to roll in, including The Sci-Fi Channel, The Cowboy Network and In Court. Those are just a few of the new ideas programming entrepreneurs are trying to shape into networks.

Once launched, cable networks have proven to have quick reflexes, refining their on-air looks and schedules to match what consumers—or at least operators—want. Witness the evolution of CNBC during its first year, Movietime's makeover into E! Entertainment Television, and the gradual shift in focus at MTV away from music videos to long-form programming—documentaries, game shows and unique hybrids. Cable networks react with a level of responsiveness the broadcast networks simply can't match.

That's a key ingredient to cable's success, both for networks and operators. For instance, once it became clear that concentration of ownership would be a sticking point for Congress, Tele-Communications Inc. announced and then quickly revised plans for an innovative spin-off of assets to trim the parent company's bulk. And while off-network programs helped establish USA Network with the consumer, the network's gamble on original made-for-cable movies has been rewarded with spectacular ratings. Knowing when to break rank and take risks is key to any business.

We at Channels also attempt to be responsive to our two constituencies-readers and advertisers. Just last month we increased the frequency of the magazine to twice monthly. For advertisers, the increased frequency enables them to deliver their messages more often and in a more timely manner while continuing to utilize the innovative marketing programs and ongoing industry research they've come to expect from Channels.

For readers, our new frequency provides the same in-depth perspective and analysis of the industry Channels is known for, now in an easier to read format. In this issue, Channels' NCTA coverage begins with a cover story by senior editor Janet Stilson on the Entrepreneurs Group, 20-some MSO heads who meet quietly two or three times a year to trade war stories and share suggestions on how to better their businesses—and the industry. We continue with an examination of The Family Channel, a cable network with deeply religious roots now trying to walk a secular path. And finally, in a twist on the annual "10 to Watch" selections Channels has made each of the past three years, we offer "10 to Watch Out For," federal and local government officials and activists who are some of cable's toughest watchdogs.

As the cable industry continues to grow and change, Channels will be there—twice a month—letting you know who's moving ahead, and who's falling behind.
What can you do against Wheel of Fortune, Jeopardy and Entertainment Tonight?
MARRIED
WITH
CHILDREN

The face of television has changed.
Kick 'em in the access.

Scary, isn't it?
Meet Warner Cable’s new top marketer.

Kevin Leddy, Warner Cable’s new senior vice president of marketing services, believes the cable industry’s marketing efforts have faltered in the last year. “We’ve collectively taken our eye off the ball, and it’s hurt us,” says Leddy, 35, recently promoted to replace his former boss, Lowell Hussey, who retired last month at the age of 37 to write novels and teach. “The first thing we need to do is dispel the negative myths floating around this industry.”

Myth one, according to Leddy: Offer-driven promotions don’t work anymore. “We as an industry have said that aggressive promotions bring on deadbeats, and all the subscribers we bring in with those promotions roll right back off,” says Leddy. “The myth is that offer-driven promotions reduce people’s perceived value of our product, but there’s not evidence to back that up. We have very good subscriber-life analysis now that shows that offer-driven promotions are effective. We’ve got to continue to pound at the market with promotion.”

Myth two: The pay business is dead. “Everyone is seeing a softening pay business,” he admits. “We’ve lost 40,000 pay units in the last four months. But we see an enormous difference in the effectiveness of pay sales among our systems.”

Dispelling Cable Marketing Myths

We've got to continue to pound at the market with promotion.”

Myth three: Prices are too high. “We’ve exaggerated the impact of pricing, but [the problem is really] that some of the structure of our pricing has been wrong,” he says. “We need to have one price point for any combination of pay services. The customer should be allowed to take Cinemax and Disney for the same price as an HBO/Showtime package. We better give them what they prefer, or that two-pay combination is not going to stay in the house very long.”

RICHARD KATZ
HONEY, I SHRUNK THE KIDS
Shooting From Every Angle

ABC, CBS and NBC are targeting on-air promos to the faithful—and all the others, too.

BY STEVEN BESCHLOSS

Mark Zakarin was determined to grab viewers' attention for an unusual project. Forget producing one catchy spot or even ten. ABC's vice president of marketing was going for the kill. So he decided to create at least 15 promos selling David Lynch's darkly modern murder mystery series, Twin Peaks. Fifteen. Count 'em. Ten-second teasers. Fifteen and 20-second spots, leaning on critics' slavish praise interspersed with pilot clips. Concept promos warning viewers they don't want to miss what everyone will be talking about. Spots for men, focusing on the mystery. Spots for women, concentrating on the relationships. Short ones. Long ones. And all of them with a twist, conveying the show's cool and funny tone.

"To just do three or four spots would not be fair," said Zakarin before the spots aired. "We have to help foster the [audience] reaction."

Zakarin and his rivals, John Miller at NBC and Michael Mischler at CBS, were always aiming to "foster the reaction" and lure viewers to their networks' programming. Once upon a time they simply cut and spliced show footage and aired promos for a new or continuing program, preaching to the network faithful. These days they have become more sophisticated in their marketing strategies. Call it necessity: If the network audience doesn't sample new programs, it's nearly half a minute more than ABC and NBC and 15 seconds more than it spent the year before. It's a classic example of the harder you fall, the louder you bellow. The effect, to John Miller's eye, is a virtual "promo parade."

"Look," says Mischler, CBS vice president of advertising and promotion, "when you're in third place, you've got to be scratching a little harder, screaming a little louder than everybody else. John [Miller] can run three promos in three shows and it could take me a week to get that kind of audience."

But it's not just mass numbers Mischler wants. He is targeting a more affluent audience by sponsoring motion pictures and shorts on TWA's in-flight service. And to snare younger viewers, another group CBS has had problems know, like, Dear John? Wouldn't that be infinitely better, hmm?"

Such ploys are intended to stand out from the competition—both competing programs and commercials. Nervous about clutter, aiming for the unusual, network execs are taking more time for special scripted shoots with a show's cast. They are also snazzing up the graphics, à la MTV, and shooting longer spots. CBS produced a two-minute promo before airing its miniseries Lonesome Dove. "There are so many spots out there, you really need to push," says ABC's Zakarin.

And so they are. Each of the Big Three is scripting and producing more than 7,000 spots a year, or between 20 and 30 a day. Miller estimates that his network is spending more than $500 million worth of commercial time to air program promos on its own network, with other paid advertising for its programming representing less than one-tenth of that.

CBS, stuck in third place, leads the pack in time devoted to its on-air promotions. In November 1988, the network averaged two minutes per prime-time hour for its promos, nearly half a minute more than ABC and NBC and 15 seconds more than it spent the year before. It's a classic example of the harder you fall, the louder you bellow. The effect, to John Miller's eye, is a virtual "promo parade."

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Leaning on the success of Doogie Howser, M.D., the on-air promotion for The Marshall Chronicles aims for the same eyes.
attracting, he's turned to competing cable channels, including MTV and Nickelodeon. So have his network rivals. "We had to go where the audience has gone," says Zakarin, noting that he buys ESPN to reach men and Lifetime for women.

Come summer, Zakarin is likely to repeat last year's strategy of placing commercials in thousands of movie theaters through Screenvision Cinema Network, which also sells pre-movie time to such advertisers as Eastman Kodak, Coca-Cola, Anheuser-Busch and Chrysler. Zakarin felt confident that those spots—for The Young Riders and Anything But Love, two new prime-time shows—helped the network reach viewers not watching TV in August.

Still, the biggest share of time and effort remains focused on their own networks, playing just about every angle to grab viewers. CBS cut 15 spots for its recent made-for-TV movie, Common Ground, targeting older audiences with a 60 second newsy spot to air on 60 Minutes; black viewers with a spot focusing on a lead black character, portrayed by actor C.C.H. Pounder; and family and younger viewers with a scene depicting two families, shot from the perspective of two daughters.

NBC produced 20 spots earlier this year for its miniseries Drug Wars: The Camarena Story, shooting for men's appeal, women's interest, and piggy-backing on the media attention given the capture of Gen. Manuel Noriega. "We just about mined that one raw," Miller acknowledges.

Miller has shown that he is not reluctant to take on his rivals directly. Last year, his staff developed a 30-second anti-War & Remembrance spot. With the image of an Army tank falling onto one side of a scale of justice, a voice intoned, "You can make the commitment to watch 18 hours of a war story that doesn't end. Or you can watch NBC and see the Comedy Store reunion..."

Nor has Miller or his competitors, including the typically staid CBS, hesitated to rely on sex to sell their products. "Part of the idea of becoming hipper, younger is to turn up the heat," says Mischler. He describes one steamy sex scene used in a promo for Dallas that he believes walked the line of acceptability. "I don't think a couple of years ago we could have placed that spot."

But even though some producers will voice their displeasure with spots that they believe misrepresent a program by focusing on the sexiest moments, Zakarin and the others reject the criticisms. "We can't make this stuff up," says Zakarin. Still, he does understand why the disagreements arise: "You can't capture 47 minutes in 20 seconds, so you try to figure out the most attractive and appealing aspect."

Faced with the necessity of attracting a diverse audience, Zakarin says he typically aims for four basic demos—old, young, male, female. He relies on the input provided by focus group research, when lead time permits, while also employing his own intuition. "I look at a show and try to determine what I like about it, what my father might like, what my friend's teenage son might or my girlfriend."

It's not exactly scientific, Zakarin admits, but he understands that that's only a start. Then comes the challenge of cutting the appropriate footage and finding the right place for the finished promo. If it's right, then he expects the ratings to confirm it. If not, well, who knows? Maybe the show just wasn't any good. And no amount of on-air promotion can help that.
We bring back the feeling.
Connect The Spots
Northwest Cable packages big-ticket sports to draw new advertisers to the interconnect.

BY JACK LOFTUS

Six months before the July 20 opening of the Goodwill Games in Seattle, 17 sales reps for Northwest Cable Advertising hit the street, peddling 400 30-second units. But this was no one-time-only go for the gold. For Penny Taylor, general manager of the Seattle-Tacoma regional interconnect, the selling of the 1990 Turner Broadcasting extravaganza reflects a marketing strategy that produces a steady increase in profits for Northwest co-owners TCI and Viacom.

As basic cable delivers more top-drawer sports programming—NFL, NBA, Major League Baseball and part of the Olympics—cable interconnects are structuring sales packages that practically force advertisers into a variety of basic nets. “We discourage one-time-only buyers by offering packages that make it more economical for them to spread their spots into the other networks,” says Taylor. This year, she says, Northwest built its strategy around the Goodwill Games, airing on Superstation TBS, which normally has no local avails, and the NFL. “Next year we’ll probably build around the NFL and the NBA.”

For the Goodwill Games, Taylor did more than package. She tightened inventory before the first sales call. A full year before bringing the Goodwill Games to market, Taylor sold off almost half of the commercial time—440 units—to the Seattle Organizing Committee. “They went for a different league of clients,” says Taylor. “We discounaged one-shots by jacking up prices for game-only spots, and creating a ‘spot bank’ package that makes it economical for advertisers to sprinkle ads among several networks. In the gold package, advertisers get 60 30s inside the Games, 225 spots on four or more networks (A&E, CNN, ESPN, Lifetime, MTV, The Nashville Network, USA and Prime Sports Northwest), 150 shared promos and three shared billboards daily during the Games. By mid-April, Taylor had sold 25 percent of her 400-unit inventory.

In 1990 Taylor has the NFL on TNT as well as ESPN, and expects to generate $1.3 million in ad revenues—about $300,000 more than last year. Touchdown packages at $130,000 include 52 in-game spots, 400 units in the bank and 100 shared billboards. She sweetens the pot by jetting 50 of her best advertisers (and spouses) on a four-day, expenses-paid vacation to the Pro Bowl in Honolulu. “Last year the trip cost me $110,000, and still my margin on the ESPN package was 80 percent,” she says.

Still, Taylor grumbles that Northwest’s revenues ought to reflect the 12 to 16 percent share of audience the cable systems deliver—the interconnect currently takes only a 3 percent slice of the $195 million Seattle-Tacoma TV market. Consider the market’s $305 million in radio and newspaper advertising, “and you can see we still have a long way to go to get our fair share.”

For that kind of money, the SOC gave sponsors signage, tickets and a batch of spots. “The SOC had a different bag of tricks,” continues Taylor, “but no guaranteed positions inside the Games. It’s all run-of-schedule.” The SOC sale will account for just over half of Northwest’s expected $1 million in revenue from 80 hours of cable coverage reaching 500,000 area homes.

Taylor, 36, admits to some early resistance from advertisers to these “weird Olympics.” The 1986 debut from Moscow failed to catch fire in the States. Regardless of how the rest of the nation takes to the 1990 version, however, Taylor thinks the town hosting the games might be interested. She’s asking $125,000 for a gold package, $90,000 for the silver and $50,000 for the bronze—each including a liberal dose of spots on other basic channels.

“We went for the same strategy as our NFL football packages,” says Taylor, encouraging one-shots by jacking up prices for game-only spots, and creating a “spot bank” package that makes it economical for advertisers to sprinkle ads among several networks. In the gold package, advertisers get 60 30s inside the Games, 225 spots on four or more networks (A&E, CNN, ESPN, Lifetime, MTV, The Nashville Network, USA and Prime Sports Northwest), 150 shared promos and three shared billboards daily during the Games. By mid-April, Taylor had sold 25 percent of her 400-unit inventory.

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GET FIT FOR GOODWILL

‘Next year we’ll probably build around the NFL and the NBA.’—Northwest Cable’s Penny Taylor
The #1 syndicated series on station after station, all across America, isn't what it used to be.
#1 Syndicated Series on Each Station—Women 18-49 Ratings—Sign-On to Sign-Off

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VIACOM
The environment may be the issue of the '90s, and TV news takes notice.

BY NEAL KOCH

Sixteen-hundred miles south and 14 months later, ripples from the spill of 10 million gallons of oil into Alaska's once pristine Prince William Sound are being felt at Seattle television stations.

KOMO news director Jim Boyer says that by June he plans to have up and running an environmental reporting unit with three to four reporters and its own executive producer. In Seattle, he says, "All three [network affiliates] are giving [environmental coverage] more than lip service. Alaska is very much on our mind."

Throughout the country, from Seattle to Buffalo, news directors say they sense growing local concern over environmental issues. As a result, they're assigning more reporters to the beat and devoting more airtime to the subject. "Five years ago maybe one station would say, 'We want to hire an environmental reporter,'" says San Francisco-based industry headhunter Don Fitzpatrick. "Today, we have searches in for 12 to 15 environmental reporters." "All the consultants are recommending it," says Willis Duff, a senior partner in the Dallas-based station consulting firm Audience Research and Development. "It was just popping out of the research, even before the Exxon Valdez thing."

In the process, it is not just the quantity of environmental news coverage that is changing, but the quality. Newsrooms are moving away from coverage that merely reacts to disasters and towards thoughtful, occasionally investigative, reporting of local environmental problems. "They're looking at the subtleties," says Brian Erwin, a Sierra Club spokesman, "both in terms of covering those things that are beautiful and at reversing those things that are problems, but which you couldn't yet classify as a disaster. They're taking a much more thoughtful look."

Erwin says the first surge of environmental interest among news directors came about two years ago, in the midst of reports of hospital waste on Atlantic beaches, the ozone alert and the global warming controversy. More stations, says Erwin, who fields phone calls from reporters working on environmental stories, began assigning reporters to the environment as a beat. Then 1989 brought the Valdez disaster, oil spills in the Northeast, and greater print-news attention to environmental issues, grabbing the attention of an intermittently concerned public. "We feel that environmental issues are going to be the issues of the '90s," says Spence Kinard, v.p. and news director of KSL in Salt Lake City. In Utah, environmental issues are key to the state's economy. Businesses want to exploit Utah's vast public lands, and tourism depends heavily on skiing and the state's five national parks. So Kinard is giving reporter John Hollenhorst a nine-month leave of absence for a William Benton Fellowship in Broadcast Journalism to study environmental issues at the University of Chicago.

In Buffalo, N.Y., home of the infamous Love Canal toxic dump, WKBW news director Linda Levy last July hired Kathleen Leighton to double as both an anchor and an environmental reporter. "By the volume of response we've gotten," says Levy, "I find that it has touched a nerve. I think people are becoming more aware what it costs to the environment for day to day life."

The networks are lending their imprimatur, as well. CBS recently tapped Doug McConnell, environmental reporter for San Francisco's KPIX, for double duty on both KPIX and CBS This Morning.

Stations can view increased coverage as a win-win game. Reporting on environmental affairs as lifestyle issues may draw audiences while simultaneously burnishing a station's image as a caring corporate citizen. And this type of coverage rarely risks biting the hand that feeds the stations. "It's not common to do stories about major advertisers," acknowledges KSL's Hollenhorst, " because there are few environmental stories about car dealers." The measure of news directors' commitment to solid journalistic coverage of the environment in the years ahead will be whether they're willing to pay both the high price of investigative reporting and the potentially higher price in alienated advertisers.

Viewer interest in environmental reporting extends beyond coverage of disasters like the Valdez oil spill.
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SPLAT! Water seems to erupt from the sidewalk. Silence. Then a high-pitched voice from above: "Look out! Here comes another." A red water balloon hurtles down through space, exploding next to a limousine parked precariously nearby. For a moment on the Warner Bros. lot, Aaron Spelling's 10-year-old son, Toby, bombards this little corner of Hollywood with the same kind of mischievous enthusiasm that critics have used against his dad. Only Toby's targets from Spelling's office window appear to be random.

While a somewhat tattered "For Sale" sign dangles over Spelling's media empire, as it has for the past year, Hollywood's longknives seem to be reveling in the prime-time king's fall from grace and his fumbled attempts at a comeback. They poke fun at a quirky, extravagant lifestyle symbolized by a controversial 56,000 square-foot mansion near Beverly Hills. Across the continent, Wall Street is at best cautious over the company's chances for success. Will it find a buyer at the right price? Any price? Will it go private or be forced to liquidate assets?

Last fall was the first time in 21 years that an Aaron Spelling series was absent from the three-network schedule, ending a ride that produced some of the most popular mind candy on TV—Dynasty in the '80s and Mod Squad, Love Boat and Charlie's Angels during ABC's prime-time reign in the '70s. In a recent Los Angeles Times article, Spelling—who would not be interviewed for this piece—despaired: "I can honestly say that I don't know what the networks want anymore."

Spelling Entertainment—which includes Worldvision and Laurel Entertainment as well as Spelling Productions—is in a curious limbo, seemingly at cross purposes with itself. To sell the company, management needs to strip away the fat. Meanwhile, an ambitious production and program acquisition strategy in effect at all three operating units may, if successful, rejuvenate the ailing conglomerate. As for Spelling the man, he's immersed himself in the production unit and turned over the day-to-day operations of the organization to two ex-Viacom whiz kids: Jules Haimovitz, president and COO, and executive vice president Ron Lightstone.

Caught in a corporate never-never land, Haimovitz and Lightstone forge ahead, trying to build a framework in which the company can acquire and produce product. The acquisition of TV stations is on hold while the firm's on the block. Haimovitz sums up the reasoning behind still-operative plans for production

Spelling Entertainment is for sale, but a pair of ex-Viacom whiz kids are still trying to make the conglomerate work.

By Clare L. Drew
and distribution: "When we talk of synergy as a movement of product from Spelling Productions, it's not in our ability to generate funds in producing for the networks, because no one really makes a profit from that. It's in our ability to get distribution rights. If you can get distribution rights, obviously it's from a third party and you don't need to produce it. Anyone would rather do that than spend money on production. But obviously there's no assurance you can get it from third parties all the time, so you need an ongoing and established production company."

Needled about the Spelling slump, Haimovitz gets exasperated: "When you sit there and talk to me about ABC, CBS and NBC," he says, twirling a paper clip between his fingers and spitting out his words rapid fire, "I tell you you're a goddamn anachronism. I made my career based on the fact that those three networks aren't the only things in television."

He admits, however, that when he says his "real goal" is to "reestablish Aaron Spelling Productions and get back on the air," he's talking network air, as in series. And yes, he knows U.S. revenues won't be realized from any successful network production for three or four years, when shows go into syndication. So Haimovitz and Lightstone are doing it all with bravado and mirrors, hoping that the company will appear strong enough to either attract an acceptable buyer or stay on its own two feet.

"Merrill Lynch went out into the market and came back with a number of potential buyers," says Lightstone, "and we've gone through a due-diligence process with several of them." Neither Haimovitz nor Lightstone would discuss price, but one Wall Street source said the company was asking $17 a share, or about $563 million, but got nowhere near that for the 33.1 million common shares outstanding, and would like to settle for $15 a share. "This is not a fire sale," insists Haimovitz. "This company is very healthy financially, and we're under no obligation to be sold."

But, he adds, "it could go at any time," a situation he admits "makes it tough on long-term planning."

Spelling officials concede they're under considerable pressure to sell from principal stockholder Carl Lindner, whose bid for media barony appears to be crumbling. Lindner's Great American Broadcasting—which sold Worldvision to Spelling last year for $65.4 million in cash plus enough stock (valued then at about $118 million) to give him 49 percent control of Spelling Entertainment—is choking on $1.2 billion in Drexel-issued debt and not enough cash flow to meet the debt service. Lindner has been selling off other assets to keep his media holdings afloat.

Both Haimovitz and Lightstone insist that the company has more than sufficient cash flow from its several libraries, plus Worldvision's strong position as an international distributor, to meet its obligations. Also, says Haimovitz, Spelling has about $50 million left in an $85 million line of credit with Bankers Trust. And Lightstone insists the company is going ahead with the most aggressive program development campaign in its history, with more than $10 million already committed for network series, made-for-TV movies and first-run syndication. Some Wall Street analysts say Spelling is going for broke, literally, having overpaid for Worldvision—about ten times cash flow—and desperately needing to fuel the pipeline with new product if the company is to survive.

Last season, Spelling had a nibble from NBC for Where's Rodney?, a proposed mid-season replacement starring Rodney Dangerfield. Like the comedian, however, it got no respect. Nightingales—vintage Spelling, about the personal lives of a group of sexy nurses—delivered moderate ratings for NBC in '89 but lousy publicity. When two sponsors pulled out, so did the network. Spelling made at least a partial discovery, however, about what the networks want these days with Day One, a made-for-TV movie that aired last season on CBS and won an Emmy, his first.

Today, somewhere hidden from outside view, Aaron Spelling is doing his damnedest to rejuvenate Spelling Productions, despite declining revenues (down $24.1 million for the six months ending January 31). He's signing up writers and producers, spending millions and hoping the gods will favor him this month when ABC, CBS, NBC and Fox reveal their prime-time series selections for next season. He has two pilots up for grabs as potential series. One, an hour drama with Victoria Principal, is for ABC. The other, also an hour drama, is for Fox. In the one-shot category, he has a TV movie commitment from ABC for Wall: The Inside Story of Divided Berlin; and for HBO, Seattle Cannery Murders.

To fill the program pipeline, Spelling is hiring all the talent he can find. In partial exchange for putting up the money to finance the 13-episode ABC series Twin Peaks, Spelling signed creators David Lynch and Mark Frost to a three-year exclusive development deal. In addition, Spelling signed a two-year pact with Richard Christian Matheson and Thomas Szollosi to develop comedy and dramatic series, including a two-hour sitcom and an hour series for ABC. Then there's the production contract with producer Linda V include two specials, one about the AIDs the other on the life of Coco Chanel.
Spelling still has program commitments with ABC, CBS and Fox that require these networks to pay a kill fee if the shows are not picked up. In June 1989, ABC paid Spelling $6 million to cancel its commitment to order four series. The network, which ran only the movie Rich Men, Single Women this season, paid several million more when it canceled commitments in the 1989-90 season, and may wind up paying a few million dollars more unless it picks up options next season, the last under the contract. The deal with CBS carried less severe penalties and ended this season with the network airing only Love Boat: A Valentine Voyage. Fox has committed to two pilots before July 1, 1990, one required to go into production, or pay $500,000 per pilot.

While Spelling’s expertise and name are the company’s best and most salable assets in some quarters, they’re liabilities in others. New management is keeping Aaron Spelling and the old regime in the background, trying to leave the company’s reputation for escapist programs in the past and project a new image. As far as Wall Street is concerned, the new management has a lot of convincing left to do. “You have to ask, ‘What am I buying?’” says one analyst. “A library filled with hour shows. Well, how valuable is that? He’s been out of [prime time] an awful long time, and what happens when Aaron goes?” Adds Thomas Brown, president of Brown Capital Management: “Before it was really a pilgrimage for analysts to go to the West Coast and sit in Aaron Spelling’s big office. Not now. They’re not impressed anymore. There are a lot of other things to look at—this guy is building a big house, has he checked out? Analysts are saying, ‘But what about your company, Aaron?’”

Not all the reviews are negative. The new faces on the cover of Spelling Entertainment—Haimovitz and Lightstone—get high marks from David Londoner of Wertheim Schroder. “They’re trying to build asset value, the way the group did it at Viacom… And Haimovitz is a dynamo.”

By allowing the operating group presidents to focus on program development and acquisition, Haimovitz and Lightstone may have helped create the perfect Viacom. When they teamed up there in 1976, Viacom was a $20 million outfit with a distribution network and no product. Haimovitz and Lightstone helped turn it into a billion-dollar enterprise. When the duo joined Spelling in 1988, it was a production house with product and no pipeline.

Haimovitz had been recruited from ABC to join Viacom by Terrence Elkes, who was then president and chief executive, to apply his skills in developing a pay-cable network. In his 11 years at Viacom, Haimovitz helped launch Showtime, headed Viacom International and was president of the network division, overseeing MTV and Nickelodeon. He was one of the architects of the aggressive sales plan for syndicating The Cosby Show that brought Viacom $500 million in licensing fees and another $100 million in barter sales. When a Viacom management team attempted a leveraged buyout in 1987, Haimovitz—35 at the time—was a key player. “Jules can deal with the creative process,” says Elkes, “but he’s also a disciplined thinker and is comfortable with numbers. Lawyers and accountants don’t scare him.”

The linchpin of any success Spelling Entertainment may enjoy will be Worldvision, a force in the international market but a sleeping giant as a U.S. distributor. Unfortunately for Worldvision, most of Spelling’s jewels, including Charlie’s Angels and Love Boat, were signed away to other distributors before the acquisition. Two efforts at first-run syndication, Throb and Starting From Scratch, were pulled last year. After Hours, a half-hour late night magazine strip launched last fall from Playboy Video Enterprises, is supposed to go weekly next season, but no firm go-no-go decision has been made, according to John Ryan, CEO of Worldvision. He says Worldvision has a batch of pilots in development for first-run, some in association with Laurel Entertainment, some with Hanna-Barbera. The animation house, still part of Great American, has a distribution pact with Worldvision and makes up 35 percent of its gross revenues.

Worldvision took a much needed major step into domestic distribution with its recent acquisition of the syndication rights of 14 films from Miramax Films Worldvision bought My Left Foot and Mr. and Mrs. Bridge; from Weintraub Entertainment My Stepmother is an Alien, Troop Beverly Hills, She’s Out of Control, Fresh Horses and Listen to Me; from King’s Road Entertainment Homer and Eddie and Blood of Heroes; from New Line Cinema Nightmare on Elm St. 4 and Heart Condition; and from Corsair Pictures A Shock to the System and Miss Firecracker. These films are in addition to more than 20 it has bought since March 1989.

By aggressively acquiring new product and financing other projects, Worldvision has been rejuvenated. “We’re now going through a renaissance and are trying to position ourselves as a company for the ‘90s,” says Ryan. “Even though some of us have been around for a long time, this is our turn at bat.”

Spelling’s acquisition of Laurel Entertainment ($6.2 million in cash and $4.9 million in stock) closed in March 1989, the same day as the Worldvision deal, and income from both libraries began to show up on Spelling’s balance sheets in its 1990 fiscal year for the six months ending January 31. For the first time since Spelling’s fall from network grace, revenues begin to swing up.

Included is the domestic box office revenue from the Laurel film Pet Sematary, which Lightstone expects will gross more than $100 million in worldwide distribution from Paramount. Based on that success, adds Lightstone, Laurel will continue to produce horror genre films with major studio financing. In domestic syndication, Tales From The Darkside and Monsters have been moderately successful. “We now have the capacity to do what we do in a purer sense,” says Laurel president Richard Rubinstein. “Our attention [since the Spelling acquisition] is on the core product, and all the distractions are stripped away… We are seeing our output expand.”

Whatever the outcome, Haimovitz is secure, though somewhat philosophical in his strategy. “It’s a precarious business that continues to go up and down and you find yourself in good years and bad years,” he says. “You can continue to be a television producer, but if you want to grow the company and make the most of the markets out there, you need to both produce and distribute.” The new management team seems to have most of the pieces in place. If it can work on the scale that Haimovitz and his top executives envision—regardless of who owns it—perhaps then the pressure will be off Spelling Productions, and Aaron Spelling himself, to carry the weight of the enterprise.

Aaron Spelling

Can He Do It?

By gathering Worldvision, Laurel and Spelling under one umbrella, Haimovitz has created a new enterprise. Whether it will take is uncertain. The answer, years away, may lie with the man himself: Can Spelling get the network production division back on track?
THE MOST MOVIES ON PAY TV...

47 MONTHS AND COUNTING.

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The Most Movies On Pay TV
Join cable's public affairs network as we televise talk radio programs live from six cities across the United States. Listen and watch — even phone in — as local radio audiences discuss important national issues.

Monday, May 28
Talk Radio Roundtable
7 pm - 8 pm ET

Tuesday, May 29
WNWS-AM in Miami
Program Host - Debbie Ellis
10 am - 1 pm ET

KING-AM in Seattle
Program Host - Mike Siegel
6 pm - 10 pm ET
3 pm - 7 pm PT

Wednesday, May 30
KIRO-AM in Seattle
Program Host - Jim French
12:30 pm - 3 pm ET
9:30 am - 12 noon PT

WGCJ-AM in Chicago
Program Host - Cliff Kelley
3 pm - 6:30 pm ET
2 pm - 5:30 pm CT

Thursday, May 31
KMOX-AM in St. Louis
Program Host - Bob Hardy
10 am - 1 pm ET
9 am - 12 noon CT
This program will be simulcast with Moscow Radio.

KSDO-AM in San Diego
Program Hosts - Roger Hedgecock and Michael Reagan
2 pm - 6 pm ET
11 am - 3 pm PT

Friday, June 1
WABC-AM in New York
Program Host - Rush Limbaugh
10 am - 12 noon ET

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CABLE'S
BROTHERHOOD

Independent thinkers share their strategies.
By Janet Stilson

They call it the Entrepreneurs Group, but it could be termed the League of Legends.

A fraternal organization of cable operators has sprung up in recent years with a membership list that includes some of the industry's most independent thinkers. But those on the inside would rather turn up their coat collars than have the organization noticed.

Ask the 20 members of the Entrepreneurs Group what exactly they discuss at their meetings, held two or three times a year, and most will squirm. "Don't listen to anybody who tells you we're a National Cable Television Association splinter group," they're quick to insist. "We have no organized lobbying effort. No one takes minutes. There is no charter. No blood pacts. No club house. And heaven forbid, no collusion."

Press them further, and they'll say the Entrepreneurs Group members all rally behind the same sword and shield as the rest of cable when fighting regulatory battles in Washington. They just like to have informal meetings to discuss industry issues and ways of better running their businesses—mid-sized multiple system operations that they built up themselves, and which have many similar attributes and problems.

But below the surface, people within the organization, and those familiar with them, say that the group's members are unwilling to cede their vision of the cable industry to the executives at mega-MSOs so often spotlighted in the press and on Capitol Hill—leaders of such companies as Tele-Communications Inc., whose words and acquisitive ways often serve the public as a litmus test of where the industry is headed.

The Entrepreneurs Group is "a group of guys who look around and see the Time Warners and Comcasts, the really big players, kind of controlling the industry," says I. Martin Pompador, head of RP Companies and a member of the organization. "There's a feeling that [TCI president and chief executive] John Malone..."
Here's what system operators from around the country have had to say:

**"WIDESPREAD APPEAL..."**
HA! has been a very positive addition to our basic service in Modesto. It's an outstanding niche service with widespread appeal. Subscriber gains are no laughing matter anymore.

Craig Case, Mktg. Mgr.
Post-Newsweek, Norwest Division, Modesto, CA

**"LAUGHTER FOR EVERYONE..."**
There's laughter for everyone on HA!, and the tremendous response we've received from customers of all ages is definite proof of this!

Virginia Chidester, Mktg. Mgr.
Rock Associates, Pullman, WA/Moscow, ID

**"QUIT WATCHING EVERYTHING ELSE..."**
My brother the Mayor (Von Mills) thinks that it is one of the best channels he has ever seen. He says he has quit watching everything else and gone strictly to HA!"

Paul Mills, Deputy Clerk
Springfield Cablevision, Springfield, FL
to say about HA! The New TV Comedy Network:

“TO BE BEST…”

“Twin County has to be better in order to survive. We’re surrounded by intense competition and demanding subscribers. To be better we’re adding comedy. To be best we’re adding HA!”

Susan Yee, Vice President
Twin County Cable, Allentown, PA

“POSITIVE…”

“Of the 16 networks I’ve launched I’ve never had so many positive customer calls, both before and after the launch, as I’ve had about HA! Many customers called to request specific programming information. I’ve also been impressed with the wide range of callers.”

Pam George, Mktg. Mgr.
Avenue TV Cable, Ventura, CA

“WHAT AN IMPROVEMENT…”

“HA! has made life more enjoyable. Two city officials have called to say what an improvement in programming we brought to our subscribers. This channel is great and we love it. We have been receiving lots of positive comments on HA!’s programming.”

Jack Dixon, General Manager
Cablevision of Manassas, Manassas, VA

TV comedy to the rescue.
The group does include the heads of two large cable companies: Glenn Jones of Jones International and Cablevision Systems’ Chuck Dolan. But for true insight into what it takes to become a member of the group, one need only consider others in the brotherhood: Gus Hauser, head of Hauser Communications; Steve Simmons of Simmons Communications; Adelphia Communications’ John Rigas; Lenfest Communications honcho Gerry Lenfest; Cablevision Industries kingpin Alan Gerry (see box).

Excluding Dolan and Jones, the Entrepreneur companies have subscriber counts that generally rank them below the top 10 MSOs, but within the top 60. All told, they serve about 20 percent of all U.S. cable customers, or over 10.5 million households. Using a theoretical asset value of $2,200 a sub, their total system holdings are worth just over $23 billion.

You won’t find members of the powerful Turner Broadcasting System board, which includes representatives of Time Warner and TCI, among them. Some in the group, however, such as William Bresnan of Bresnan Communications and Gerry Lenfest, are backed with TCI investments. Also among the missing are members of cable’s so-called Eastern Bloc—Newhouse Broadcasting, Comcast Cable, Continental Cablevision and Cox Cable, strapping companies that have supplied many a cable network with lifeblood.

Without exception—they’re the heads of private companies or public ones—members of the Entrepreneurs Group own large controlling portions of their businesses. “These are the men whose personal fortunes are wrapped up in the future of the industry, as opposed to the corporate managers who work principally for other shareholders and may not have quite the dedication to the future of the business,” says Tom Rogers, president of NBC Cable and Business Development.

Not only do most members, by starting in the business 15 or 20 years ago, qualify as Cable Pioneers, but almost all have the majority of their personal assets tied up in cable systems. That is of particular value to aspiring cable channels. “The people in this group are very interested in encouraging new entrants in the industry from a programming point of view,” says one official. “They have a non-aligned perspective that may cause them to look at where the industry is going generally, and what’s good for the industry, as opposed to what’s good for an individual company.”

The character of the founders is very much in evidence at the companies as well. Entrepreneur members “all have strong, dominant and controlling personalities,” says Rick Michaels, chairman and president of the brokerage firm Communications Equity Associates. “The companies have taken on the personality of the individuals. Take Columbia International, for example. Most people think of Bob Rosencrens rather than the company itself.”

A pop quiz furthers Michaels’ point: What MSO head would team up with NBC, Rupert Murdoch and Hughes Communi-
When MultiVision’s Tennessee systems inflamed customers the multiple system operator MultiVision Cable TV the cable business: Martin Pompadur, the former ABC-TV network executive who counts among RP Companies’ holdings the multiple system operator MultiVision Cable TV. When MultiVision’s Tennessee systems inflamed customers and cable-bashers alike by raising subscriber rates 30 percent, Pompadur got some advice from his Entrepreneur Group friends.

“We didn’t have a real formal discussion of it,” he says, “but Alan Gerry and Leonard Tow [of Century Communications] were particularly helpful. A couple of other guys offered not only suggestions but said, ‘Come over and talk with our people. We have rural systems. Let us show you how we handled rate increases.’”

Another discussion, which occurred shortly after the San Francisco earthquake, centered on how to deal with natural disasters, Pompadur, whose Puerto Rico systems had been through Hurricane Hugo, was able to offer details on summoning resources, handling public relations matters and insurance coverage. Sources say that the Entrepreneurs Group is now conducting an informal survey of what kinds of insurance MSOs have and which policies are most beneficial.

In at least one conversation, recounts Pompadur, members have expressed concern over a perceived increase in violence and sexism on a certain cable network, and debated what could be done about it. “But nothing organized ever comes out of it,” he adds. “Nothing like: ‘Let’s form a committee and go call on Viacom or USA or MCA and tell them what we think.’”

O f all the discussions, it’s the ones about how their businesses affect their personal lives and families that the members refer to the most in explaining the group. Says Pompadur, “There’ve been some fascinating discussions about, ‘Okay, now we have all this wonderful wealth, a lot of it on paper, some of it real. What kind of changes has that brought in our lives? And what do we do with our kids? How do we bring up our kids?’ It would make a wonderful soap opera.”

Alan Gerry’s solution to the offspring dilemma involves training his 15-year-old son Adam at a local system this summer. He expects Adam to eventually run the company. As for his two daughters, “They’re very good at producing children,” he says with only a trace of a smile. “They’re both married and have families of their own.”

Answers to personal questions are as diverse, the members say, as their personalities and the ways in which they run their businesses. And the differences can be outstanding. Take, for example, the companies run by Gus Hauser and Alan Gerry.

Gerry chose to base his business far from the madding Manhattan crowd in Liberty, N.Y. He grew up in the Catskill Mountain resort community in the ’30s, making it through the Depression by stuffing the soles of his shoes with cardboard. A TV repair shop business became his springboard into the cable industry in the ’50s. CableVision Industries is now the largest private company in the economically depressed town.

No bumpkin, the articulate Gerry owns systems serving some 1.25 million subscribers, ranking his company among the top 15 MSOs in the country. He says that one of the key advantages of a medium-sized cable company over large MSOs is the ability to make decisions quickly during system acquisition or franchise bidding wars. No need to check back with bigger boys in the head office. Large MSOs can factor in heftier volume discounts on programming fees when bidding for systems, but Entrepreneurs Group members can turn on a dime.

Also working to the advantage of mid-sized MSOs is an ability to keep a close watch for problems. “I think that many of the larger corporations are not really attuned to what’s going on out in the streets or in subscribers’ homes,” says Gerry. “By the time they find out they’re not providing good service, perhaps they’ve lost a franchise renewal or gotten a terrible public image because of something a system or a regional manager permitted to happen.”

His highly centralized operation is headed by a five-mem-
ber senior management team. "We've been through almost any experience that can happen to a cable company," he says of the gang of five. "We're able to give the local and regional management immediate answers and guide them in a fashion so they don't get into trouble."

Close attention to subscriber needs is also very much in evidence at Hauser's company. But the similarities between Hauser and Gerry end there.

Hauser runs his business, which serves 250,000 customers largely clustered in the St. Paul/Minneapolis and Washington, D.C., markets, in a completely decentralized mode. The corporate staff is a handful of people in Manhattan, but there are plenty of computers in the field offices.

"We have more PCs per employee than almost anybody," says Hauser, who's earned law degrees from Harvard and the University of Paris and speaks with the urbanity that besots. "We probably know what's going on in our systems on a daily basis as much as anyone—what customers are thinking, how well we're responding, whether the marketing program is working."

That electronic interaction hearkens back to Hauser's decade as chairman and chief executive officer at Warner Cable Communications and then Warner Amex Cable Communications in the '70s and early '80s, the heyday of Warner's experimentation with the QUBE system.

The sense of accomplishment Hauser feels about those days was heightened by his work on the Cable Act of 1984. He continues to spend a great deal of time personally lobbying Washington lawmakers, as do most other members of the Entrepreneur Group, in hopes of forestalling reregulation.

The anti-cable efforts have cooled Wall Street's cable ardor, Entrepreneurs Group, in hopes of forestalling reregulation. The Group's moderator, Steve Simmons, is so concerned with the re-regulation issue that he insists on walking a visitor through a presentation he's just prepared for his calls on Congress before he's ready to talk about the organization.

The cost of a Big Mac, fries and a shake went up 508 percent between 1972 and 1989, he argues; a New York subway ride went up 883 percent. Cable, meanwhile, according to Simmons, only rose 264 percent. MultiVision's Tennessee tangle is just an exceptional case, he says. "And they're paying the price. They've got at least one company overbuilding them. So the marketplace has taken care of that."

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While some say that the Entrepreneur organization is a disdistant offshoot from the industry's two lobbying organizations, the NCTA and the Community Antenna Television Association, others—most emphatically the members themselves—say that's not the case. Improving cable's image with the public and the federal government, however, is a major topic of conversation at group meetings. And Entrepreneur members tend to part ways with larger and more influential MSOs when it comes to prioritizing those issues.

"We're all concerned about rates and customer service. I think that [TCI's] John Malone is more concerned about horizontal and vertical integration," says RP Companies' Pompadur. "We're not big enough to care about those things."

There's probably a whole list of things we would say are more important to us than to John Malone."

The Entrepreneurs have conveyed the message to groups like the NCTA and the Cabletelevision Advertising Bureau, that the industry as a whole needs to be more proactive in spreading the good news about cable, according to CAB president Bob Alter. "They all share the same goals and concerns," he adds. While not an official group effort, one outcome of an Entrepreneur discussion was a series of spots distributed to systems and networks touting cable's virtues. A letter signed by several members accompanied the blurbs.

Despite reregulatory stirrings in Washington and the chill on Wall Street, many medium-sized MSOs, including Entrepreneur members, will be transformed by the industry's continuing consolidation. Virtually every Entrepreneur Group member contacted had no doubt that the number of mid-sized MSOs will dwindle.

Will group members have to sell their systems or trade away their entrepreneurial flair and independent thinking for a higher subscriber count? Will close attention to customer needs be sacrificed? "I don't know if we need to judge, since [consolidation] seems to be the nature of the business," says Hauser, pointing to past trends in the broadcasting and telephone industries as evidence that consolidation is inevitable in the life cycle of a fast-growing business.

Keeping some purchases by large corporations as separate operating units, à la TCI's partnerships in Lenfest and Bresnan, could help maintain the entrepreneurial spirit, suggests Simmons. And then there are those kids like Adam Gerry waiting in the wings. Perhaps that's one reason why Simmons stops to reflect: "There's no reason in the world that a medium-sized MSO can't last forever."
We decided QVC would be a good fit with many Heritage systems and communities, and committed early on.

“We liked what we saw in QVC – their people and plans, their business savvy and their understanding of the cable industry. We felt good about our decision then...and still do.

“QVC pays attention to detail and delivers on its commitments.”
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THE COMEDY CHANNEL is making programming moves that are really turning heads! With terrific new shows like those off-the-wall Kids in the Hall, outstanding stand-up performances from the likes of Kevin Meaney, Paula Poundstone and Judy Tenuta, plus a classic comedy showcase featuring Chaplin, Keaton, Lloyc and other laugh legends. The best new talent, comedy's most treasured gems—they all add up to the kind of unique, fresh programming that makes a real difference to subscribers. And when it comes right down to it, isn't that what the promise of Cable TV is all about?
IN FOCUS
SHAPING CABLE'S FUTURE

CABLE'S 10 TO WATCH OUT FOR

City regulators, congressmen and consumer activists at the forefront.

PAUL BERRA

The nation's cities are determined to win back at least part of the control over cable they lost with the '84 Cable Act, and Paul Berra, president of the National Association of Telecommunications Officers and Advisers (NATOA), is their point man. It's NATOA's job to make sure Washington understands the cities' concerns on cable issues, from reregulation to refranchising.

Berra's main focus in the current debate is to return rate regulation to local government. "We're seeing much higher rate [increases] than the GAO report claims," he says. Cable observers, however, say they see Congress and the FCC turning away from giving the cities such a role. "It's easy to see that if NATOA's pushing for city involvement, it has got a tough uphill battle," says Bob Thomson, v.p. of government affairs for Tele-Communications Inc.Echoes Steve Effros, president of the Community Antenna Television Association, "Congress and the FCC generally agree that if there is a consensus to reregulate rates, it should not be done at the city level."

Berra does have a powerful ally in Sen. John Danforth, the Missouri Republican who introduced a reregulation bill last November. Berra also serves as cable communications manager for the City of St. Louis. Says Effros, "Paul's been effective because he's based in St. Louis, which is represented by Danforth, and Danforth is one of the primary movers behind cable reregulation."

NATOA has one big cloud in its future. Last January, the president of NATOA's parent organization, the National League of Cities (NLC), suggested in a letter to Berra that the two organizations split up. Berra maintains that the proposed split is now resolved and put off indefinitely; others in Washington disagree. A staffer at the House Commerce Committee believes the two organizations will break up by July 1. But Berra says talk of the separation instigated an outpouring of support from both NATOA and NLC members. "Some NLC members were very unhappy about the split," he says.

Michael Burgi

REP. RICK BOUCHER

The outspoken author of the Cable Competition Act (HR 2437), Rep. Rick Boucher (D-Va.), wants to see the telephone companies in the cable business. (His bill, at press time supported by 77 representatives, is identical to the Senate version introduced by Al Gore.) Boucher—so well-liked in his district that he's supported by both the United Mine Workers and Pittston Coal, opponents in a long, bitter strike—is finely attuned to the needs of his rural constituency. He refers to the satellite dish as "the district flower," and he believes the district's 12,000 backyard-dish owners are being price-gouged by cable companies. A typical dish constituent lives in an area not passed by cable and pays the nearest system to unscramble a signal to his dish. "There is really no reason why the local cable company ought to be involved in this," says Boucher, "and if the cable company is going to be involved, others ought to be involved as competitors who can market the programs at a cheaper price."

Buzz Goodall, general manager of Continental Cablevision of Richmond, Va., is not in Boucher's district but meets with him occasionally nonetheless. He disputes the congressman's backyard-dish stance. "Cable operators established demand for those products and ser-
HAVE YOU THOUGHT ABOUT HER TODAY?

LIFETIME
TELEVISION
customer service problem and was preparing to resolve it by year's end, Bradley maintains that the governmental goading focused the system's attention. In fact, with new phone operators in place, waiting time for calls to Mile Hi had dropped to 94 seconds in February.

"It's like being the world's greatest animal trainer," Bradley says with evident pleasure. "Now and then you have to hit them with a two-by-four. Then, all of a sudden, they find religion."

Yet Bradley feels his job is not done. His office will continue to track the quality of customer service with calls 12 times a day and supply the cable system with monthly reports of its findings. And Bradley is likely to keep playing gadfly. Why, he asks, shouldn't operators sell remote controls rather than rent them?

Bradley's continuing interest is a fact of life that Pacheco has learned to accept. "Bill Bradley is in our face every day," she says with resignation. "That's his job. He is the cable regulator."

LARRY BUZZELL

If you don't have cable in Juneau, Alaska, you don't watch much television. Mountains ring the isolated state capital and its 30,000 inhabitants. All roads out of town are dead-ends, and the two local stations have to relay signals just to reach the suburbs.

At least one resident thinks the local cable system, now owned by Cooke, soon to be owned by Falcon, is taking advantage of Juneau's dependence on cable and the idiosyncrasies of Alaskan government to charge unfair rates. According to satellite-dish buff Larry Buzzell, Cooke's basic rate of $40.46 is more than double the rate charged to Cooke subs at a Washington state system for a similar package.

Buzzell started a petition drive in 1989 aimed at compelling the Alaska Public Utilities Commission to regulate Cooke's rates. The 1984 Cable Act precludes rate regulation except in those areas with fewer than three unduplicated over-the-air grade B signals. Juneau has two stations—KJUD, a dual NBC/ABC affiliate, and public station KTOO. Because there is no local franchising in libertarian Alaska, cable systems have to answer to the APUC. Or would, were cable not a deregulated public utility. In order to regulate any systems, the commission must receive a petition requesting action signed by 25 percent of that system's subs. [Cooke] is a monopoly guaranteed by the

IN FOCUS

SHAPING CABLE'S FUTURE

ALASKAN CABLE ACTIVIST LARRY BUZZELL

The first petition Buzzell presented to the APUC in November was rejected after almost 900 of the 1,900 signatures he had collected were disallowed. But Buzzell had no trouble obtaining another 1,600 signatures in March, and it's now up to the APUC to act.

Larry Buzzell, Alaskan cable activist.

Terry Dunlap, plant manager for the Juneau cable system, says there are no plans for rate changes in response to the petition drive. But Buzzell may already have made a difference. Says Ray Wipperman, chief of the APUC's consumer protection section, "It's rumored that there are petitions circulating in other communities."
How to gear up for the best advertisers in town.

Begin by attracting the best audience in town—A&E's. With more affluent viewers than any other cable network, A&E is the drawing card for all kinds of local advertisers. Especially highly desirable categories like new imported and luxury domestic cars.

The professional/managerial men these car advertisers want to reach can be found in record numbers watching A&E's first-rate documentaries. So it's clear why A&E is the network of choice for so many top-of-the-line automobile advertisers.

But we don't stop at delivering the kind of audience the local advertisers want to reach. We'll provide you with creative new packaging, promotion, and prospecting ideas. All the things you need to be the driving force in local ad sales.

Call Mark Mersky Director, Local Advertising Sales at

(212) 210-0532
Danforth set the stage for Senate action on cable, prompted by increasing congressional dismay with the 1984 Cable Act and spurred by cable problems in his own state involving cable siphoning of sports programming, poor customer service and signal quality. "He's behind cable legislation 100 percent," says a Senate Commerce Committee staffer. "It's not a bill he dropped in with casual interest." Adds Steve Effros, head of the Community Antenna Television Association, "He is one of the three key economic indicators on the committee [along with Hollings and Inouye] on the structure of a bill."

A senator since 1976, Danforth, 53, a lawyer and ordained minister, has good relations with colleagues in both parties and an interest in setting the framework to move legislation forward.

On cable as well as other telecommunications issues, Danforth will be watched closely because of his personal and professional relationship with FCC chairman Al Sikes, which dates back to Danforth's tenure as Missouri's attorney general from 1969-76. (Sikes served as assistant attorney general under Danforth.) Danforth was instrumental in Sikes' appointment to head the National Telecommunications and Information Administration and the FCC. "One principal reason cable needs to care about Danforth is that there is a very real and very special relationship between [Danforth and Sikes]," says Andrew J. Schwartzman, executive director of Media Access Project, a Washington-based public interest communications law firm.

**SEN. JOHN DANFORTH**

The cable industry won't easily forget November 15, 1989, the day Sen. John Danforth (R-Mo.), ranking minority member of the Senate Commerce Committee, introduced his bill to re-regulate the cable industry. The smiling presence of officials representing broadcasters, wireless cable operators and consumer groups at a news conference that day made cable groups wince even more at the prospect that such a proposal might become law.

**SUSAN HERMAN**

Susan Herman, general manager of the Los Angeles Department of Telecommunications, doesn't subscribe to cable. "The rates are too high for the crappy service you get," she says of Century Southwest Cable Television, the system in her area. It's no coincidence that this system is having its franchise license revoked. "They have 26 percent of the subscriber base and over 40 percent of the [consumer] complaint base," Herman explains.

Before heading up the franchise renewal process with L.A.'s 14 systems, Herman, who is also v.p. of the National Association of Telecommunications Officers and Advisers, led the early '80s negotiations of New York City's ten cable franchises. Herman's credo: "If we're not out there ensuring the public rights of way, which we've given to the cable operators to use, and responding to what the community wants and needs, then we're not doing our job."

Although respectful of Herman's professionalism, L.A. cable operators question her definition of "community needs." Says Bill Cullen, senior vice president of the Southwest division of United Artists Cable, "She's got a good grasp of the issues, but she believes in strong regulation, almost to the point of being heavy-handed." Since 1987, L.A. systems have been subject to Herman-orchestrated requirements such as having to verify complaints within 24 hours and resolve them within 48, offer 24-hour-a-day phone answering and provide free equipment to paraplegic and hearing-impaired individuals. In addition, Herman has set up an extensive access system, financially supported by the cable operators, which includes a City Channel that airs local government proceedings and produces local shows.

"I'm all in favor of cablecasting local government," says Cullen, but he balks at Herman's proposal to build municipal access studios. "There is a limit to what the cable companies can be expected to pay," he says. "Eventually it's going to be charged to the customer."

**CHARLES PATTERSON**

Sen. Albert Gore and Rep. Jim Cooper are two Tennessee Democrats who've put their state on the map as a hotbed of cable discontent. Both have made reputations derailing rate hikes at systems operated by MultiVision, a Connecticut-based MSO with franchises in more than two dozen Tennessee towns. But it was the mayor of one of those small towns who started the fight with MultiVision and raised Gore's antennae.

Charles Patterson had been mayor of Henderson, Tenn., population 4,802, for three years when MultiVision purchased

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**IN FOCUS**

**SHAPING CABLE'S FUTURE**

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Got an appetite for a full-flavored program promotion media mix? Then the Prevue Guide Channel is the perfect bill of fare.

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The Prevue Guide Channel is cable's basic ingredient.
the town's 1,250-subscriber cable system in March 1988. Within six months the MSO had raised basic rates for the 17-channel system 40 percent to $19.95. Patterson, a 47-year-old contractor and Navy veteran, set to work looking for an alternative to MultiVision.

His first idea was for Henderson to buy the system, but MultiVision wanted about $3,000 per sub, three times what it would cost the city to build its own system. In June 1988 the city looked into

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Warner, as an attorney representing the city of New York in one of the messiest refranchising wars around.

About $1 billion in assets and 400,000 subscribers are at stake for Time Warner and Houston Industries, the partners in upper Manhattan's Paragon system. Those numbers have made the negotiating particularly fervent. What's more, Sinel and John Hanks, New York's Bureau of Franchises director, are looking to write into the contracts certain customer-service standards that test the legal limits of cable regulation on the local front, including a time limit on how long it takes customer service to answer the phones. They're also pushing for as many as 19 access channels. A major issue in the negotiations, says Sinel, has been "sorting out the city's desire to regulate—to protect the public—and the companies' desire not to be regulated."

Industry executives say Sinel and his D.C. law firm, Arnold & Porter, will have gone to the bank with about $2 million in New York taxpayer money by the end of this year. Their fees for fighting on the side of New York consumers over the last ten years total about $10 million.

Sinel got a taste for serving the public's TV interest as a senior vice president of corporate management and general counsel for the Public Broadcasting Service in the '70s. In addition to his current work for New York City and several other municipalities, Sinel represents the National League of Cities and the U.S. Conference of Mayors.

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A Ask cable executives to name the most powerful legal guns working against their interests, and Norman Sinel is bound to be mentioned. Sinel has been battling the nation's second largest multiple system operator, Time Warner, as an attorney representing the city of New York in one of the messiest refranchising wars around.

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"I view my role as providing tools for folks to make decisions," he says, "to take the magic out of the process so that clients really feel that it's kind of simple."

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T Tucson mayor Tom Volgy must sometimes feel like an architect whose prize building has caught fire and burned to the ground. As a city council member back in 1983, Volgy was one of three negotiators from the National League of Cities who sat across from three cable counterparts and came up with a compromise regulatory agreement that formed the basis for the '84 Cable Act. "As one of the three members of that negotiating team, he was really asked to carry the burden for local governments across the country. He felt the responsibility of that," says Betty Ann Kane, a D.C. city council member currently on the NLC board of directors.

With cable regulation back on the congressional agenda, Volgy, now also on the NLC board and chair of the U.S. Conference of Mayors' communications committee, is once again fighting for the cities. Kane says the NLC believes the spirit of the compromise has been broken, aided by a restrictive FCC interpretation of the '84 Act. And Volgy, says Kane, "cares very much about what's happened to erode that compromise, and to tilt the balance away from local authority and consumer protection."

Volgy shows no sign of exasperation with this battle. "All we're saying is we need either competition across the industry, in the broad sense of cable versus other industries, or we need regulation," says Volgy. "But we can no longer live in an environment where we have neither. The NLC is calling for telco entry, rate regulation in single-system communities, anti-trafficking rules, must-carry requirements and limits on concentration of ownership.

A city councilman for ten years before he was elected mayor in '87, Volgy is also an associate professor of political science at the University of Arizona. "I actually believe cable is something very important and positive in American society," he says. "Cable has created an entirely different world of television for us." But Volgy and the NLC want Congress to make sure the cities can direct its future growth.
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IN FOCUS

SHAPING CABLE'S FUTURE

A FAMILY RESEMBLANCE

Where does CBN end and the Family Channel begin?

By Frederick Talbott

Raise the Lord, but not too loudly. At first blush, the cable service that televangelist Pat Robertson launched 13 years ago appears to have been born again as a secular TV network.

Long misunderstood and even ignored by Madison Avenue, The Family Channel is tying deals with most of the nation's top 50 advertisers, pouring $100 million this year alone into eight original 30-minute weekly series, some produced by major Hollywood talent. If Washington and the marketplace allow, Family may even saddle up with a second cable channel, Willie Nelson's Cowboy Television Network.

Many at Family insist it has scrapped its evangelical persona, that years of careful planning will result in a G-rated powerhouse. But a religious vision for the channel is still much in evidence, and that has kept Family struggling to find a balance between the wholesome and the holy.

Perhaps the clearest signal of its secular intentions came last January, when Family's management, with the help of multiple system operator Tele-Communications Inc. and Florida drugstore magnate Jack Eckerd, arranged a friendly divorce from Family's parent, the Christian Broadcasting Network.

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Perhaps the clearest signal of its secular intentions came last January, when Family's management, with the help of multiple system operator Tele-Communications Inc. and Florida drugstore magnate Jack Eckerd, arranged a friendly divorce from Family's parent, the Christian Broadcasting Network.

The channel has been distancing itself from its religious roots for the past two years, attempting to resolve an identity crisis summed up by its former name, the CBN Cable Network. Some thought "CBN" stood for the Cowboy Network, thinking of its weekend dose of horse operas. Others, according to vice president of marketing Rick Busciglio, would say, "Who are these guys, and where are they broadcasting from, the basement of some Baptist church in Virginia?"

In 1988, the CBN Cable Network begat the CBN Family Channel, with an accompanying blitz of marketing. And then, without fanfare, the "CBN" was dropped from its name completely. "We wanted to totally capture the family niche," says Busciglio. "The easiest way is like Cable News Network: Your name is your position. . . . What I'm marketing is a secular network."

Not so fast. According to Family's president and chief executive, Tim Robertson, "We still feel very strongly that there is a need for religious programming to have a national voice." His father, Pat Robertson, chairman of both CBN and Family, emphasizes that the channel is in no hurry to exercise its religious heritage. He envisions "a major international entertainment company bringing family entertainment with religious values throughout the world."

Family's articles of incorporation, he adds, "provide that it will be family entertainment-oriented with religious emphasis, which is the same that it has always been. That has not changed in any way."

The network's schedule reflects that lack of change in one outstanding way. Back in May 1987, the weekly lineup included 43.5 hours of religious programming—both series specially produced for the network and shows that leased time, such as The Rock Alive, which featured ministers who led their TV congregations in a bouncy, spontaneous dance for the Lord. This month, the schedule shows almost the same amount of religious programming, 40.5 hours.

"Our religious offerings have not changed much since 1981," says Family public relations vice president Earl Weirich. "It may go down to about 22 percent, or up to 25 percent, but it really hasn't changed."

While it did move from its 8 P.M. position, Pat Robertson's religious fundraising talk show The 700 Club still sits squarely in prime time, with no indication it will budge. Inked in the TCI-management agreement is a stipulation that the program continue to occupy its present 10 P.M. weeknight berth, as well as slots at 10 A.M. and 2 A.M.

The 700 Club may give Pat Robertson a platform to rage against National
Endowment for the Arts funding policies and the controversial Robert Mapplethorpe photo exhibit, or to further his upcoming 10-year crusade against New Age religions. But the program means a loss of advertising sales and lowered ratings, particularly in prime time. To compensate, Family has decided that prime time means 6 PM to midnight.

Religious programming aside, is Family clear of the CBN ministry? Tim Robertson, who resigned his CBN presidency when Family split from the organization, says the severance is complete, that Pat casts no votes on the CBN board regarding Family, that Family isn’t a sheep in wolf’s clothing.

“TCI wouldn’t have taken a stake in us if it had been,” he adds.

Despite the corporate separation, Family’s physical link to CBN in Virginia Beach hasn’t changed. The network occupies the same leased offices on the third floor of CBN’s World Outreach Center, a massive brick, pseudo-classical structure on the rim of CBN Center. And it leases studio facilities, production talent and advertising services from CBN.

“There’s very little evidence to indicate any change other than just the knowledge that we’ve been sold,” says Weirich, referring to the network’s policies, direction and staff.

A walk through the halls of Family and CBN does reveal a notable difference in corporate culture, however, with a sort of born-again cheeriness permeating the staff of CBN, while the Family environment is more like that of other profit-driven companies.

Long gone are the days of shutting down the network during lunch time so everyone could attend CBN prayer meetings downstairs—although attendance remains optional. Most, if not all, of Family’s senior management team is devoutly religious. But Christianity is not required of Family employees, says Tim. Numerous EEO posters around the office seem to back him up, and there are staff members of varying religious beliefs.

Employees are expected to meet a performance level Tim says he carried over from CBN. He expects employees to adapt to the industry’s pressures.

“When I speak of pressure, I mean the business,” he explains. “What are we selling? We’re selling time.”

The selling of advertising time is a big reason why Family is attempting to shed just enough of its preacher image to please the marketplace while retaining sufficient religion to comfort its carryover flock.

One of the nation’s first basic cable networks, Family has long been viewed as a staple of the basic tier. But some operators selling local spots still see its demographic skew toward rural Southern audiences as a handicap. And making things more difficult is a lack of "impactful, high-visibility programming," as Continental Cablevision’s senior vice president of programming, Rob Stengel, puts it.

Despite the negative perceptions, Family Channel executives say they’ve done business with 47 of the top 50 U.S. advertisers, and they’ve gained that business without reneging on their refusal to accept beer and wine ads. Among the converts is Saatchi & Saatchi Advertising’s senior vice president, director of television information and new media, Betsy Frank. “We wanted to make sure that we were using it as an advertising medium and not for any proselytizing purpose,” she says, in speaking of past hesitation.

Even without the advertising challenges, Family has had plenty of reason to change. That the channel even made it through the gut-wrenching late ’80s is testament to its perseverance.

Back in 1988, when the channel’s one-time president and chief executive, Pat Robertson, stalked the Oval Office, he left 33-year-old Tim in the dual role of hosting The 700 Club five nights a week and running the network.

The press likened the visibly nervous Tim to a frightened deer in front of the TV cameras. But when the Jim Bakker and Jimmy Swaggart sex scandals slowed contributions to the Christian Broadcasting Network, he moved decisively, trimming the combined staff of the network and ministry by 600 employees.

Shortly after that came a threat from a devil called the Internal Revenue Service. Tax laws only allow nonprofits like CBN to earn “insubstantial” income from commercial ventures. Tim says Family, which went commercial in 1981 and began turning a profit five years ago, posed “a potential problem” for the ministry. The $250 million TCI/management buyout became the saving grace.

The network’s sale also helped reposition Family in some minds. “It takes it a very long way from its roots as essentially a religious programmer,” says Larry Gerbrantd, a senior analyst at Paul Kagan Associates. “The network has come full circle into the world of mainstream broadcasting.”

TCI, which holds an 18 percent stake, sees little need for change at Family, according to its senior vice president of programming, Peter Barton. “It’s a very strong service wherever it’s carried. What they ought to be doing is
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just following their formula," he says.

Family's original-programming strengths and plans—and Tim Robertson's leadership—sold TCI. "We mostly like the fact that they wanted to do more and better original programming," Barton says.

In recent years, Family has replaced long-in-the-tooth reruns such as Dobie Gillis with more recent off-network fare, including Beauty and The Beast, which will debut on the channel this fall prior to a syndication run.

Family is also wagering $100 million on eight original half-hour series for fall. While its chief rivals, The USA Network and Turner Network Television, focus on movies and special events, Family sees original 30-minute weekly series as the answer.

Gerbrandt calls Family's series approach "a unique niche in the market. Since USA Network is headed in the direction of movies and hour-form programming, it makes sense for someone to do half-hours."

"We looked at the history of broadcasting," says vice president of programming Paul Krimsier, in explaining the strategy. "The thing that made ABC was not Roots, the thing that made ABC was Happy Days, Laverne & Shirley, Mork & Mindy."

Series, Family insists, spell viewer loyalty—although the channel eventually hopes to premiere 12 made-for-TV movies per year as well.

Original programming is nothing new to the channel—and neither are the difficulties of producing shows that attract both general-interest and evangelical audiences.

Back in the early '80s when the channel started selling advertising, Robert E. Aaron, a former national director of daytime programming at NBC, helped the CBN Network create a soap opera with moral overtones, Another Life. Aaron says Pat Robertson gave his seal of approval for a firm six months' worth of storylines, which included heated moments of conflict over such issues as adultery and child abuse. Well into the writing process, however, Robertson acceded to pressure from religious constituencies up in arms at the soap, and Aaron and his team of writers elected to leave.

The programming standards established under CBN continue at Family. "We tell our audience that 24 hours a day you're not going to see anything here that's going to offend you from a perspective of overt sex or violence," says Tim Robertson.

So far, the network hasn't earned any blockbuster ratings for its wholesome original series. "Every network needs its Larry King, its Remote Control," says Continental's Stengel. "Family has been on the edge of that a few times, but it hasn't really gotten there."

Among the highest rated original series on the channel is Bordertown, which pulled a cumulative weekly rating of 5.5 for three plays in the first two months of 1990.

That series will continue on the channel's schedule next fall, as will two other made-for-Family series, Zorro and Rin Tin Tin K-9 Cop. Newcomer originals will include The Black Stallion, Inspector Gadget, Maniac Mansion, a sitcom called Big Brother Jake starring exercise guru Jake Steinfield (and filmed at the Virginia Beach center) and another unannounced show.

The network's long-sought series hit may come in the form of Maniac Mansion, a sitcom in development that is described as a cross between The Addams Family and Back to the Future. Family is in negotiations with Lucasfilms on the project, and is talking with Nintendo about the possibility of spinning off a game.

Family's venturesome ways don't stop with programming on its own schedule. While Tim has yet to ink an agreement to invest in Willie Nelson's Cowboy TV Network, he has set financial targets to see if it will fly. "We have tremendous star appeal with our [potential] partner Willie Nelson," Robertson says. "And many of his friends—Waylon Jennings, Johnny Cash, Kris Kristofferson and others—have agreed to host segments on the air and be involved actively in the programming."

If regulators or operators nix the idea state-side, Tim says it may just fly in Western Europe and Asia. "So if plan A doesn't work like we want it to, then we've got plan B. . . We take it international and see how it does."

Family is also eyeing general and special programming in Eastern Europe, focusing on Poland, Hungary and Czechoslovakia. It's a financial tradeoff: zero profits for massive audience, The Family Channel as pathfinder. Specials will focus on democratic ideals and positive thinking. Tim views the opportunity as a calling, fearing the post-Marxism void may otherwise be "filled by a form of capitalism that is nothing more than crass materialism."

Whether the missionary undercurrent in Family's own schedule will continue to constrain its attempt to become a G-rated powerhouse remains to be seen. "I think the big question is, where are they going from here?" says Continental's Stengel.

Busciglio says critics of The Family Channel should tune in. "Wholesome sounds boring," he observes, "and at no time do we want to be boring. We want to entertain."
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When Big Gets Small

The networks are developing a flood of series based on movies. Will viewers stay tuned?

BY STEVEN BESCHLOSS

Tim O'Donnell made the rounds at the four networks with the support of executives at Universal TV. He introduced a big, funny guy named Kevin Meaney who performed a short scene with the help of a child actress. This, O'Donnell proffered, is his idea for Uncle Buck, the television show. CBS bit, agreeing to buy 13 episodes.

Kevin Meaney may be Candy-esque, but he's not John Candy. Tim O'Donnell may be an excellent executive producer and writer, but can his TV show pull viewers the way John Hughes' movie did? M*A*S*H did it. So did The Odd Couple. But for the handful of movie-to-TV spinoffs that grab viewers and ultimately land in syndication heaven, there are far more like Gung Ho and Baby Boom that wind up in TV hell, never to be heard from again. Remember Paper Moon, the TV show? Right. No one else does either.

If network executives have their way with the American public, the next year may be a landmark in the history of television, a time when more than a dozen successful movies are transformed into hit TV shows. It's a nice thought—and thoroughly improbable.

"I like to look at the M*A*S*H example," says the optimistic O'Donnell, while admitting, "The odds are so terribly against a series succeeding."

So why are the networks taking the bait from Hollywood, pushing into development and onto the air everything from Big and Bagdad Cafe on CBS to True Believer and K-9 on ABC to The Witches of Eastwick and Working Girl on NBC and The Outsiders on Fox?

The first and quickest answer is that the concepts for movies are looking more like TV projects. Call this high-concept hi-jinks ("See, you've got this cop and a German shepherd . . .").

In the cut-to-the-chase pace of Hollywood, an existing movie minimizes the need to belabor a story concept in a pitch meeting. Network programmers can catch the pitcher's drift in a hurry. "A pre-sold commodity is worth a lot," says Carlton Cuse, co-executive producer of Warner Bros. TV's Witches of Eastwick.

Prior to the release of the movie Parenthood, NBC programmers Brandon Tartikoff and Warren Littlefield watched a rough cut with its director, Ron Howard. It was a "no-brainer," Littlefield said later, to figure out that this was going to be a hit. But would it work on television? They had a hunch it could, later signing a deal with Howard's Imagine Entertainment for 13 episodes. Parenthood, the TV show, may hit the airwaves this fall.

NBC executives also expect that the show's ratings will benefit initially from sampling by viewers who saw or heard about the movie. This provides an extra boost at a time of widening audience fragmentation. "There will at least be curiosity to tune in to see how badly you screwed up," jokes O'Donnell. After that first tune-in, he insists, a transfer is on its own.

John Masius was convinced that the core of a concept was there to make a successful transfer of another John Hughes movie, Ferris Bueller's Day Off. "I loved the movie—and I always thought it would make a great television series," says Masius, who had a development deal with Paramount Television.

Paramount executives agreed, originally picking Masius to assist Hughes, who he expressed interest in writing and directing Ferris Bueller for TV. Masius, still hot on the idea after Hughes decided to opt out, wrote a pilot on spec that NBC accepted earlier this year.

Now casting for the show, Masius intends to remain loyal to the Hughes character, while expanding the story by having high-school student Ferris attend classes occasionally.

Ken Kaufman and Tom Patchett were asked by the head of 20th Television Corp. to look at the 20th Century Fox movie, Working Girl, to see if there was a TV show in it. "We walked out and said, 'Yeah, there's something there,'" recalls Kaufman. At the core, they thought, was the story of a blue-collar girl in a white-collar world. That, and about half the characters, they planned to keep.

NBC aired the first of 12 episodes last month.


The best answer comes from Carlton Cuse, whose partner and co-executive producer on Witches is Jeffrey Boam, the screenwriter for two big-screen blockbusters, Lethal Weapon 2 and Indiana Jones and The Last Crusade—both sequels: "We are not resting on the laurels of our predecessors."
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Death From Above?

by Nancy Nichols

Broadcasters and cable operators are nurturing an apparent enemy.

Every new technology threatens to make its predecessors obsolete. The birth of television was heralded as the death of the film industry; compact discs may really have killed the vinyl record. Direct broadcasting, now in its infancy, may be no less disruptive. DBS poses a threat to all that has come before it, including cable operators and broadcast networks.

Preempting and profiting from that threat must be why representatives from both camps invested in two recently announced rival DBS operations. K Prime, a consortium of ten of the country's largest cable operators, including Tele-Communications Inc., Time Warner's ATC and Comcast Corp., will begin broadcasting in the third quarter of 1990 using GE Americom's medium-power satellite. The less powerful of the two new ventures, K Prime will provide only ten channels: three channels of pay-per-view and seven independent superstations.

A bevy of heavyweights joined to form rival Sky Cable—NBC, Cablevision Systems, GM's Hughes Communications and News Corp., which brings Rupert Murdoch's considerable (and costly) experience in DBS to the venture. To date he's lost about $340 million on his four-channel Sky Television service in Europe, but hopes to break even within a year. Says an executive close to both the U.S. and European projects, "We've learned a lot of lessons in Britain and we thought we could apply our experience to the U.S. We have terrific partners in NBC, Cablevision and Hughes and we thought the dish size was small enough to make it a mass-market business."

By using a new technology called digital compression Sky Cable plans to broadcast 108 channels directly to home satellite dishes that are napkin-sized and cost only $300. Sky Cable expects to be on the air by 1994.

Sky Cable founder Chuck Dolan is adamant that his new venture will supplement and not compete with cable. "For cable TV companies who for one reason or another need more channel space, direct broadcasting offers a way to expand their plant, and to do it without the massive costs of rebuilding and rewiring a system."

To get Sky Cable off the ground, Dolan is gambling that digital compression, which allows one transponder to broadcast four channels, will be viable by 1994. "There's plenty of risk," says Dolan. "We are betting that the hardware to implement the compression technology will be developed before we launch, that the cable industry will accept it and that the home will accept it."

Dolan envisions cable systems marketing the service and leasing dishes to homeowners, spreading the cost over a number of years and bundling the price of the dish into one monthly $20 to $30 fee. To realize this dream, each of Sky Cable's partners has anteed $75 million, and Hughes has loaned the venture $325 million. At least another $375 million will be required to launch the service. Dolan estimates the venture will need 3 million subscribers to break even. About half of those should be uncabled homes.

By far the less speculative of the two ventures, K Prime already has its satellites in orbit. They are, however, medium-power satellites, meaning that the home dish needed is larger than those used by Sky Cable. "A smaller dish has a lower cost," says Stephen Petrucci, president and CEO of Hughes Communications, a partner in Sky Cable. "Even more significantly, a smaller dish is easier to install, and there is a strong elasticity between ease of installation and how many people will subscribe."

By being the first on line, however, K Prime has the ability to get an early lock on the market. K Prime's medium-power satellites are scheduled to run out of fuel and go out of service in '95 or '96. The group has an option to buy a high-power satellite facility owned by TCI's Tempo unit, readying K Prime to switch to high-power satellites by the time its medium-power satellites go out of commission.

The success of either DBS venture will change the media industry dramatically. "Every time a new development comes along," says Dolan, "there's concern that somebody old must be a loser. It seems to me that each time there's a successful new technology, it helps everybody. When cable and VCRs appeared, that produced new revenue for motion-picture producers. DBS will increase the importance of TV in the home, and everyone can be a beneficiary of that. Nobody has to be a loser. Nobody, that is, who gets a satellite up fast enough."

Nancy Nichols is a New York-based freelance writer.
This announcement appears as a matter of record only.

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Breathing New Life Into The Bureaucracy

FCC chairman Al Sikes takes a stand on political ad reform, the future of DBS and the limits of free speech.

Even before he was sworn in as chairman of the FCC last August, Alfred C. Sikes was heralded as the undertaker of the deregulatory era. Since assuming office, Sikes has taken definitive steps in the areas of the financial interest and syndication rules, HDTV and indecency, and largely repaired strained relations between the FCC and Congress. Until his FCC appointment, Sikes was assistant secretary of commerce and administrator of the National Telecommunications and Information Administration at the Department of Commerce. Prior to that he was a consultant, an executive at several radio station groups, an official in Missouri state government and a lawyer in private practice. Sikes spoke with the Channels staff recently.

Playing Politics with Ad Rates
I think that the politicians are rightly concerned that there has been a bit of manipulation at some stations. You know, you can't, as a candidate for office, buy preemptable rates within the last month or last few weeks of the campaign. And so you're automatically driven to that much higher rate card. So I am not unsympathetic.

Now as to giving away time, I am not particularly sympathetic. I think there is, first of all, a real Constitutional question. Second of all, in this whole political area, there is an unfortunate tendency to think that you can fix whatever little complaint you have by tampering with the broadcast side of political campaigns.

For example, if you did away with negative advertising in the broadcast medium—and I'm not suggesting one would do that—there are proposals to change the way negative advertising is to be presented. But you'd just simply move it over to another medium. Direct mail, for example, has become increasingly sophisticated in reaching with pinpoint accuracy some white male, age 30 to 35, who graduated from Yale, works at a law firm, drives a Volvo and has golf as his hobby. So it is just a matter of people having concerns about the way political campaigns play out now, and I think emphasizing far too much the possibility of fixing them by fixing something in the broadcast medium.

The State of the Cable Act Inquiry
I think by the end of July we'll be able to conclude our report to the Congress. I hope to conclude within the same general time frame the work we are doing on the definition of effective competition, and then also the item on cable-telephone company cross-ownership.

One of the reasons for the accelerated schedule is that clearly there is reason to reexamine this subject. The Congress is also quite interested in this subject. I feel quite strongly that the FCC is the expert agency in these matters, and it's important that we assess and act to the extent possible on issues that require action. I think by so doing we are likely to get better regulatory activity than otherwise.

HDTV: Made In The USA
I come from NTI, in the Department of Commerce. I worked on HDTV for almost three years within that context. It's not possible for me to completely exclude that sort of information from my mind. Ultimately, however, what we are to do is to make a decision that serves well both the broadcast industry and the consumers.

I'll tell you what I mean. Had Zenith, for example, said, "Guys, this is six months too short," we would afford the FCC to make the decision in the fall of '93 rather than the spring of '93. I have also said that I think the system's proponents should come to the FCC and present, beyond their system, information on their intentions for research and development involving HDTV in the United States. Because I am convinced that research and development here is going to have an effect on the evolution of HDTV here. If it's done exclusively in Asia or exclusively in Europe, it will be done in a different broadcast culture. It might be done skewed for satellite, as some of the early HDTV research was.

But I must add that each participant in this process, whether Japanese or European, should be assured of fairness. Ultimately, we are going to be judging a series of objective measurements and making up our mind on the basis of those measurements. And the only one that deals specifically with the domestic matter is the intention of the system's proponent in the area of research and development. And I presume that either Europeans or Asians would be prepared to make R&D commitments here.

The Coming of Sky Cable
It was not generally unexpected. It was specifically unexpected. I mean, I had no knowledge of these four companies being on the threshold of an announcement, although I had been told two or
three weeks before the announcement actually came.

I think [DBS] is going to be a new, successful media business. It's not because I've done a lot of studying of business plans or anything. It's just that I have a sense that this opens up a very economic way to serve the American public. I think we are going to continue to see, as we have in recent years, a migration from broadcast to narrowcast in the video realm, and I think this will be a dramatic acceleration of that trend. One person who I talked to said that this might be the magazine rack of video distribution, where we'll see things on bodybuilding or cycling or flower-gardening or whatever.

The Voice of America, Take Two
There are discussions underway now about the possibility of my going to Hungary, and perhaps other countries among the emerging democracies, to talk about how our system of private ownership evolved, what responsibilities the users of a broadcast license have. How localism developed. What it means. What the practical consequences of it are. Things of that sort. They are increasingly interested in looking at private media ownership. So if we can help these evolving opportunities, we want to do so.

I also am called on from time to time to appear at international conferences, and my message is always quite clear. And that is that a free exchange of programming is important, that we support it unequivocally and encourage others to support it as well.

Killing Compulsory License
I don't know about the economics of buying ESPN versus buying Channel 9 or Channel 3 or something locally, but I think the compulsory license makes no sense. I am a former radio broadcaster. I bought all my programming. I bought music through ASCAP and BMI, I bought rights through a number of other organizations. And my view is that we should have a free market in programming. So that if a cable operator wants to carry Channel 3 or whatever it is, an independent or an affiliate, you can enter into a contractual agreement for the licensing rights to Channel 3. Now, there might be programs that you don't want to carry locally. There might also be programs that you can carry without compensation because the program rights owner is elated to be on with an assured carriage, and doesn't expect compensation. But I think again it should be a free market.

Stifle Yourselves
There are bills on [children's program-
Asia’s Rising Sum

Television marketers looking for the next demographic bandwagon might consider Asian-Americans. According to Census Bureau information from July 1988, 6.6 million Asians and Asian-Americans reside in the U.S., concentrated in California, New York, Texas, Illinois and Hawaii. By the end of 1990, the Asian population should hit 10 million. In the survey below, the viewing habits of 3,747 Asians across the country were compared to those of a 282,873-consumer database.

<table>
<thead>
<tr>
<th>HOME TECHNOLOGY</th>
<th>Asian Consumers</th>
<th>Total Pop.</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satellite dish</td>
<td>5.6%</td>
<td>3.3%</td>
<td>+69.7%</td>
</tr>
<tr>
<td>Remote control</td>
<td>77.9</td>
<td>71.2</td>
<td>+9.4</td>
</tr>
<tr>
<td>VCR</td>
<td>75.9</td>
<td>71.4</td>
<td>+6.3</td>
</tr>
<tr>
<td>Cable TV</td>
<td>56.0</td>
<td>63.0</td>
<td>-11.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LEISURE TIME ACTIVITIES</th>
<th>Asian Consumers</th>
<th>Total Pop.</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average time spent watching TV (minutes)</td>
<td>158.5</td>
<td>179.1</td>
<td>-11.5</td>
</tr>
<tr>
<td>Regularly tape TV for later viewing</td>
<td>16.4</td>
<td>20.2</td>
<td>-18.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TV CHANNLES WATCHED REGULARLY</th>
<th>Asian Consumers</th>
<th>Total Pop.</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent stations</td>
<td>26.7</td>
<td>23.2</td>
<td>+15.1</td>
</tr>
<tr>
<td>Fox stations</td>
<td>30.3</td>
<td>27.8</td>
<td>+9.0</td>
</tr>
<tr>
<td>ABC stations</td>
<td>50.3</td>
<td>49.2</td>
<td>+2.2</td>
</tr>
<tr>
<td>PBS stations</td>
<td>22.2</td>
<td>21.8</td>
<td>+1.8</td>
</tr>
<tr>
<td>NBC stations</td>
<td>50.6</td>
<td>49.9</td>
<td>+1.4</td>
</tr>
<tr>
<td>CBS stations</td>
<td>44.3</td>
<td>46.2</td>
<td>-4.1</td>
</tr>
<tr>
<td>CNBC</td>
<td>4.7</td>
<td>2.3</td>
<td>+104.3</td>
</tr>
<tr>
<td>MTV</td>
<td>14.6</td>
<td>11.2</td>
<td>+30.4</td>
</tr>
<tr>
<td>Home Shopping Network</td>
<td>3.9</td>
<td>3.3</td>
<td>+18.2</td>
</tr>
<tr>
<td>CNN</td>
<td>15.4</td>
<td>13.4</td>
<td>+14.9</td>
</tr>
<tr>
<td>HBO</td>
<td>18.8</td>
<td>18.0</td>
<td>+4.4</td>
</tr>
<tr>
<td>Cable TV</td>
<td>47.2</td>
<td>48.9</td>
<td>-3.5</td>
</tr>
<tr>
<td>ESPN</td>
<td>13.6</td>
<td>14.2</td>
<td>-4.3</td>
</tr>
<tr>
<td>Turner Network TV</td>
<td>5.7</td>
<td>7.5</td>
<td>-24.0</td>
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<table>
<thead>
<tr>
<th>TYPES OF PROGRAMMING WATCHED REGULARLY</th>
<th>Asian Consumers</th>
<th>Total Pop.</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cartoons</td>
<td>26.2</td>
<td>18.0</td>
<td>+45.6</td>
</tr>
<tr>
<td>Sports</td>
<td>43.0</td>
<td>40.6</td>
<td>+5.9</td>
</tr>
<tr>
<td>Movies</td>
<td>64.2</td>
<td>65.1</td>
<td>-1.4</td>
</tr>
<tr>
<td>Situation comedies</td>
<td>45.1</td>
<td>46.0</td>
<td>-2.0</td>
</tr>
<tr>
<td>Police detective shows</td>
<td>32.9</td>
<td>35.2</td>
<td>-6.5</td>
</tr>
<tr>
<td>Documentaries</td>
<td>33.6</td>
<td>36.3</td>
<td>-7.4</td>
</tr>
<tr>
<td>Game shows</td>
<td>25.8</td>
<td>28.3</td>
<td>-8.8</td>
</tr>
<tr>
<td>Local TV news</td>
<td>58.3</td>
<td>64.2</td>
<td>-9.2</td>
</tr>
<tr>
<td>Nighttime soaps</td>
<td>12.7</td>
<td>14.5</td>
<td>-12.5</td>
</tr>
</tbody>
</table>

Source: Impact Resources Inc., MA*RT Consumer Intelligence System.
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