Dan Sullivan, president of Clear Channel Television, has built a station group of mostly Fox affiliates by buying smart when others balked.
This year, we took home 9 more Emmys... and millions of people came away with a winning message about HBO's Original Programming.

**AGE-OLD FRIENDS**
Outstanding Lead Actor in a Miniseries or a Special
HUME CRONYN
Outstanding Supporting Actor in a Miniseries or a Special
VINCENT GARDENIA

**BILLY CRYSTAL:**
MIDNIGHT TRAIN TO MOSCOW
Outstanding Writing in a Variety or Music Program
BILLY CRYSTAL
Outstanding Achievement in Makeup for a Miniseries or a Special
KEN CHASE

**CARMEN ON ICE**
Outstanding Performance in Classical Music/Dance Programming
KATARINA WITT
Outstanding Performance in Classical Music/Dance Programming
BRIAN ORSER
Outstanding Performance in Classical Music/Dance Programming
BRIAN BOITANO

And in the NATAS News and Documentary Category...

**COMMON THREADS:**
STORIES FROM THE QUILT
Outstanding Individual Achievement in Music
BOBBY McFERRIN

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THE LAST STATION TRADER
Dan Sullivan has built Clear Channel Communications into a powerful chain of mid-market Fox affiliates. How did a Texas radio-station company become one of the hottest TV-station groups? 
BY CHERYL HEUTON

IN FOCUS: RETOOLING TV'S IMAGE

No PIECE OF CAKE
Cable operators try to tell their subscribers why they're tiering—without mentioning reregulation. 
BY MICHAEL BURGI

MIXING KIDS AND COMMERCE
Kids clubs, a tried-and-true marketing method, are back with a vengeance, but stations and cable networks have to be careful to avoid the appearance of exploitation. 
BY JOHN FLINN

CABLE TAKES TO THE AIR
More than ever, cable systems employ over-the-air television to advertise their wares. Broadcasters, however, wonder where to draw the line. 
BY RICHARD KATZ

SALES
New, Improved Boot Camp
Blair Television has been running a rep-training program since 1977. Now the man who started it is back in charge, and he's made some changes. 
BY MICHAEL BURGI

HOLLYWOOD EYE
Minis Get Major Again
Studios are finding reasons to get back in the expensive long-form game. 
BY NEAL KOCH

WASHINGTON
The Twenty Years' War
New developments in the long battle over political ad rates could mean trouble for stations. 
BY PENNY PAGANO

MEDIA DEALS
Feeding the LYONs
After junk, a new way to refinance. 
BY CHERYL HEUTON

DATABASE

LETTERS

REPORTS
Alcohol advertisers threaten to cut off California stations.

WHAT'S ON
A monthly calendar.
Up in Arms Down Under

Your "Channels Achievers" issue was lively and informative, as usual. But the "Making It Work: Overseas" article might have left a mistaken impression about NBC's arrangement with Qintex Australia (QAT).

The deal with QAT, which was concluded in November 1988, never involved risk of NBC capital in the market. It gave NBC a free, five-year option to acquire up to 15 percent of the Australian corporation, but the option was never exercised. The option clause was secondary to what was primarily a very satisfactory cash arrangement. In return for expanded access to NBC programming, promotion and logo rights, QAT greatly increased its annual compensation to NBC. In the end, NBC has benefited from increased cash flow without having placed any capital at risk. We believe this is the best outcome we could have achieved in a very difficult Australian broadcasting environment.

In addition, you missed a reference to Major League Baseball, which recently benefited from having placed any capital at risk. We believe this is the best outcome we could have achieved in a very difficult Australian broadcasting environment.

Overall, we are pleased with our efforts abroad and continue to explore promising opportunities.

J.B. Holston
Senior V.P. and General Manager
NBC International Ltd.
New York, N.Y.

Author Kevin Pearce replies: The story simply states that NBC had an option to acquire a stake in Qintex. This example was raised not to single out any male-dominated industry and take offense at the implication that they are the only "achievers." It's hard enough breaking through stereotypes as it is.

As a media magazine, you know that what you say and what people hear aren't always the same. I hope you'll be more conscious of this in the future.

Evelyn Massaro
Promotion Director
WNMU-TV
Marquette, Mich.

A Matter of Alma Mater

On page 47 of the August 13, 1990 issue of Channels your feature "In Focus" listed Steven Ross, chairman and CEO of Time Warner, as being a graduate of Roger Smith College.

We at Paul Smith's College are proud to tell you that Mr. Ross was a member of our 1948 graduating class. He is one of our many very successful graduates.

H. David Chamberlain
President
Paul Smith's College
Paul Smiths, N.Y.

That the name Bridal Fair® was used generically with a lower case b and f in the headline. Since our name is a federally registered trademark, we are sensitive to that usage.

Bruce Thiebaut
President
Bridal Fair®
Omaha, Neb.

Someone Blue

I received my copy of the June 25, 1990 edition of Channels and immediately noticed the cover featuring "Achievers." I also noticed that all the people pictured in the design were white males. I know this wasn't intentional, but it's something you should pay attention to when designing covers. Those of us who are female or non-white don't enjoy being remixed of the white male dominated of the industry and take offense at the implication that they are the only "achievers." It's hard enough breaking through stereotypes as it is.

As a media magazine, you know that what you say and what people hear aren't always the same. I hope you'll be more conscious of this in the future.

Evelyn Massaro
Promotion Director
WNMU-TV
Marquette, Mich.
TRY FAXING THIS.

OK. So you've got a problem. You can't fax it. You can't wait for overnight. And you can't afford any mistakes. So who do you call?

TWA's Next Flight Out* same day small package service, of course.

Airport to airport or door to door, we deliver packages from one to seventy pounds to over 100 cities in the U.S. And we deliver them the same day. The next day to Europe. The second day to the Middle East. Seven days a week. Guaranteed.

And you can depend on it.

Call: 1-800-TWA-NEXT and ask for Agent 23 for more information and a shipping kit.
California Could Be Dry State for Alcohol Ads

Free-time demands from alcohol tax supporters have opponents threatening to pull TV ads.

Californian broadcasters have been shaken by threats from the alcohol industry to withhold advertising if stations offer free time to proponents of an alcohol tax measure. The discomfort is heightened by widespread confusion among broadcasters about what their obligations are under the Fairness Doctrine—or whether the doctrine even exists. Supporters and opponents of the measure alike are adding to the mess by trying to exploit that uncertainty.

Proposition 134 on the November ballot would raise taxes on liquor. Taxpayers for Common Sense, a group that includes liquor companies, opposes it and has spent millions for radio and television spots.

This summer, advocates of 134 notified stations that they wanted free time under the Fairness Doctrine. In early August, however, a letter arrived at stations from Greenstripe Media Inc., which represents Taxpayers for Common Sense. The letter stated: “Obviously, your station would put us in a most uncomfortable situation with our client if your management is coerced into this outrageous uncomfortable situation with a balance of opinion, says Milton Gross, chief of the FCC’s political division. A station that sells ad time to one side must afford the opponents, for free, a reasonable opportunity for balanced coverage. But that’s “balanced coverage, not free time,” Gross points out. The obligation can be satisfied through public service programming, news coverage or editorials.

Some stations prefer to grant free time. Others produce their own spots. Though proponents would prefer the free time, station-produced efforts are “fine with us,” says Leo McElroy, a media consultant working for the supporters. As for coverage, however, many radio stations and independent TV stations don’t have news departments and lack the means for balanced coverage. It’s at such outlets, particularly radio stations, that most of the resistance to balanced coverage originates.

Fadim denies that the alcohol-industry threat extends beyond political ads. Susan Thurman, spokeswoman for Taxpayers for Common Sense, says, “The [opponents'] companies were never threatening the advertising. We were only pointing out that the proponents were not giving accurate information. You do not have to give free time.”

That’s true. The FCC requires only “balanced coverage.” But opponents had their own smokescreen effort, too. Fadim says that he had been informing stations that the pro-134 side had plans to spend $1 million during the final days of the campaign, despite claiming to have little or no money. Under FCC rules, however, inability to pay would have no bearing on the obligation to provide balanced coverage.

McElroy says that 60 percent of radio stations plan to present the pro-134 argument in one form or another. He has made little progress with television because money to shoot an ad was not available until late September.

The California Broadcasters Association has urged stations not to yield to pressure from either side, says Vic Biondi, CBA executive director. Biondi says broadcasters have a choice as to how to go about the balancing act, and that, "in this instance, those who took the [opponents'] spots have a considerable amount of balancing to do," but the "broadcasters have the regulations to obey and their license to protect, and it's really their responsibility."

McElroy says the stiffest resistance to the proponents' requests comes from the CBS O&Os, which refuse to grant free time and as of late September had not offered plans for mitigating the anti-134 spots. A CBS spokeswoman in New York says that the issue is decided at the television station-group level.

McElroy and others in California disagree, saying that CBS station executives privately report a corporate mandate against free time. "That's the only instance of absolute corporate policy that I've run into," McElroy says, and adds that he'll try to fight if the CBS O&Os offer no balance. His chances in court or with the FCC are slim, though, because proceedings move slowly and after November the issue is dead. Even if the Fairness Doctrine isn't, quite.

Cheryl Heuton
At Hughes Communications, we give you the most advanced technology and we back it with the most comprehensive service available in satellite communications.

That's the Hughes commitment to excellence. Our C-band fleet, led by our Galaxy satellites, has earned a reputation as the premiere cable satellite system in orbit today. In addition to our cable and broadcast services, our audio services have taken a leading role in the industry.

Coupling sound engineering with a team of dedicated professionals, we ensure the quality and continuity of our customers' transmissions, 24 hours a day, 365 days a year.

We will provide even further protection for our Galaxy/Westar customers with the launch later this year of Galaxy VI, our in-orbit satellite spare. In fact, long after the turn of the century, we will continue to deliver the level of excellence in satellite communications services that our customers have come to expect of us.

Hughes Communications. Our commitment to excellence will continue to make ideas happen — well into the 21st century.
Interactive Interaction

BY RICHARD KATZ

OCTOBER 14-17: Women in Cable holds its National Cable Management Conference in Tampa, Fla. This year's theme is "Mastering Trade-Offs: Results by Design," and session topics range from fiber to retiering to workforce trends. Trygve Myhren, president of Myhren Media and Greenwood Cable Management and former head of ATC, is the keynote speaker.

OCTOBER 29: More than 500 professionals from widely varying industries gather at New York's Marriott Marquis for the Third Annual International Conference on Interactive Entertainment, sponsored by NYNEX and Alexander & Associates. One session features Henry Schuster, executive producer of Network Earth, TBS SuperStation's weekly interactive environmental show. "For most people interactivity means voting on what's [on] next," says Schuster, referring to 900 numbers and Warner's QUBE experiment, "and that's not at all what we're about." Network Earth encourages CompuServe's 600,000 subscribers to use the computer service to interact with the show's staffers and guests. "Not only can you log on and get transcripts of the programs and talk to other people," says Schuster, "but you can actually ask someone, [via] an electronic news conference, for more information."

OCTOBER 31: In its continuing quest to involve cable subscribers and cable marketers in promotional contests, The Travel Channel is once again giving away a trip to each group. Subscribers have until today to mail entry postcards for "The Eyes Have It Sweepstakes," promoting The Travel Channel's Paul Ryan's The World Through Celebrities' Eyes, to win a trip to Hollywood. The system whose subs send the most entry postcards also wins the trip. In May, The Travel Channel gave away ten three-week trips to the Soviet Union, five to subs and five to operators as an incentive to plug the contest. Does the technique work? "Yes, the incentive did make me take notice of [the promotion]," says Dean Morton, general manager of WestMarc Cable in Scottsdale, Ariz., whose system won a Soviet trip. "But the main reason we did it is that when we have exclusive cable programming we should do whatever we can to promote it, whether it's on The Travel Channel or Lifetime." Morton will give the Soviet trip to a subscriber, a charity or a system employee, though he says he'll have difficulty finding someone with three weeks of vacation time coming.

NOVEMBER 5: Hot on the heels of TNT's first National Football League games, ESPN's eight-week schedule kicks in. Having paid $445 million each for the four-year NFL deals, the cable nets pray that national ratings will hit their guarantees so massive make-up goods won't be necessary. On the local front, cable systems are selling all the NFL games as one package for about 20 percent less per spot than last year. "Even though we've got the inventory, we couldn't sell the package for double the cost because there's just too much [sports] competition out there," says Lori Talbot, advertising sales manager of Cablevision of Baton Rouge (La.), owned by United Artists. "But we're still coming out ahead because it has allowed us to increase the size of our packages and it's inventory we didn't have before."

NOVEMBER 9: According to the book American History/American Television, edited by John E. O'Connor, 15 years ago today: "Power failure blacks out New York City and parts of eight Northeastern states. Without TV to watch, couples find other things to do, and nine months later maternity wards are overflowing."
Hughes Communications means satellite service that's right for your business. No matter what you need. Or when you need it.

Private satellite network owners entrust their communications to our SBS fleet of Ku-band satellites. They know they can count on Hughes for reliable interactive data, voice, and video services. And the launch of SBS-6 later this year will reaffirm our dedication to meeting increased customer demand for Ku-band satellite communications.

SBS-6 will expand our capacity for business networks. Additionally, SBS-6 will enable us to inaugurate services targeted to satellite newsgathering (SNG) and the occasional use video markets. These services feature a customized transponder reservation system that allows customers to respond to fast-breaking news and special events, quickly and efficiently, with more availability and less contention during peak periods.

Our mandate is to provide unsurpassed satellite communications. That's why Hughes' team of experts continuously monitors the entire Ku-band fleet to ensure quality transmission around the clock. That's service you can count on.

Hughes Communications. We have the services to make ideas happen—well into the 21st century.
New, Improved Boot Camp

The granddaddy of rep-firm training programs gets a facelift and a new home.

BY MICHAEL BURGI

Most rep firms have some sort of sales-training program. Blair TV, however, started the first one back in 1977, and has turned out nearly 150 graduates since then, almost half of whom still work at the company. When Blair restructured its Chicago operation in January, it took the opportunity to move the training program to New York and hand it back to the man who launched it, Bob Saracen. Saracen, in turn, has condensed and updated the program, making it more relevant to today’s competitive rep business.

“You know when people talk about real-time computer time?” explains Saracen, Blair’s v.p. of sales administration. “I like to run this as the sales equivalent of real-time. By the end of their training, the ‘sales associates,’ as we call them, have to be completely up and running, able to deal equally well with the media buyers and the sales manager at the station.”

Saracen has been with Blair since 1972. He began the program in the Chicago office after working as an account executive there. Back then, sales training took three months to complete. It now takes six weeks. When the program permanently relocated to New York in January, Saracen, who had moved on to Los Angeles, was called back to revamp it. The rethink comes at a time when, as Bob Herbst, manager of Blair’s Philadelphia office, always warns the budding sales associates, “Advertisers are starting to skip the national sales organizations like us. We have to get that back.”

The whole training process—which takes place two to four times a year, depending on the need for new account executives at Blair’s various offices—begins with interviews of close to 100 initial candidates. Once they’re pared down to ten, the candidates are flown to New York for the final interview.

The most recent session began in July, ending right before Labor Day. Four candidates (three men and a woman) started the program, with three others taking part only in certain sections.

Week one began with the associates meeting top- and mid-level Blair management, continuing with what Saracen refers to as the “homework.” Learning about stations, agencies, the media buyer, ratings and research and the requisite terminology.

During week two, trainees learn the Donovan computer system, the workhorse of Blair’s sales staff. The third week brings the associates into contact with the first “guests” who participate in the program. A television-station panel is followed by two agency media buyers discussing their perspective on the station/rep/agency relationship. The next guest, the agency client, describes his take on the business. At this summer’s session, participants included Jack Shenkan, director of sales for Hearst Broadcasting, and Bonita LeFlore, a senior v.p. at N.W. Ayer New York.

Candidates spend most of the fourth week immersed in different sales techniques. Rounding out the week is a look into the future with a session called “Selling in the 1990s,” where the impact of cable, satellite and other broadcast advertising competition is examined. According to Saracen, Blair “no longer trains people to sell a commodity.” Agencies and stations expect, and Blair tries to deliver, more marketing-oriented salespeople.

The final two weeks make up the most important part of the entire program: role-playing. It begins with the associates watching two seasoned Blair account executives, one portraying herself repping a CBS affiliate and the other the media buyer. A second role play includes a rep for an independent and another media buyer.

Having witnessed two role plays, the associates themselves climb into the hot seat. Saracen and the other associates critique the resulting videotapes. The role-play observer feedback form that Saracen and the associates fill out looks as much for eye contact, appearance, gestures, facial expressions, language, and tone of voice as for more obvious business skills.

When associates finish the program, a cumulative grade is culled from a dozen exams and assignments on which they are graded. If the associates pass (almost all of them do, says Saracen), they are shipped off—at Blair’s choosing—to one of the company’s 19 offices.

Including guests from agencies and stations, the whole program involves some 75 people. Saracen’s biggest complaint with presiding over the program is logistical. Making sure every teacher will be in room 7E that morning every morning for six weeks does cut into his other responsibilities. “Without my assistant to help me, I’d weigh 20 pounds right now and they’d be carrying me out of here in a basket,” he says. It looks, however, like his job won’t get any easier: Blair may accept requests from client stations to enroll their salespeople in the program.
We interrupt this CHANNELS to bring you these important messages!

Twice monthly CHANNELS delivers the vital news, views and comprehensive reports you NEED to function competitively in today's rapidly changing television environment.

SUBSCRIBE NOW AND SAVE $45 OFF THE COVER PRICE!

You'll never find a better price on CHANNELS. And you'll never find a better magazine for keeping you up-to-the-minute on what's happening NOW AND IN THE FUTURE in the business of network TV, syndication, cable, and MUCH, MUCH MORE!

Enter my subscription to CHANNELS at the money-saving rate of just $65* a year. I save $45 off the cover price!

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Twice the CHANNELS at the same price!

Now CHANNELS comes to you twice-monthly, bringing twice the important information with twice the frequency. But still at the old once-a-month price!

DON'T MISS AN ISSUE ORDER TODAY!

The next issue of CHANNELS is never more than a couple of weeks away. Don't delay. Order now and stay up to date with CHANNELS!
CHANNELS.
The First Word
On Television.

CHANNELS
January, 1990

BUSINESS WEEK
September 17, 1990
Minis Get Major Again

Big studios find that made-fors and mini-series make economic sense again.

BY NEAL KOCH

During late 1988 and early 1989, Columbia Pictures Television fired a number of executives and put its money-losing long-form production unit on the block—but couldn't find a buyer. One of the better sources of made-for-television movies and mini-series was left to wither.

Columbia was not alone. As the '80s drew to a close, Hollywood's major studios were bailing out of long-form production—the profit margins didn't justify the huge overhead expenses. For the most part, only independent producers seemed interested in the genre. To such companies as Fries Entertainment, with lower (often non-union) cost structures, a $250,000 movie-of-the-week producer's fee meant something.

But the '90s have found studios quietly jumping back in. This September, the largest producers of mini-series and MOWs-Columbia, Lorimar Television, New World, Paramount, Universal, Warner Bros., Republic Pictures, Hearst Entertainment, CBS Entertainment and NBC Entertainment—had about 30 projects in production for the 1990-91 season for the Big Three broadcast networks, compared with just 13 the year before. The total multiplies when made-for-cable movies are included: Paramount and Universal are producing 24 a year for their jointly owned USA Network, and TNT plans to keep raising its output until it can offer one a week. In Fox's case, owner Rupert Murdoch further spreads the cost of network programming by using it to help his Sky Television satellite networks in Europe. Networks also seem more willing to use two-hour movies as a back-door for series pilots, encouraging studios to take on the MOW risk.

The Big Three have contributed to the surge in long-form production with stepped-up schedules of in-house MOWs and mini-series. NBC Productions has six MOWs and mini-series on the slate for this season, up from three last year. CBS has four, up from two. While, like some of the large studios, CBS and NBC decline to comment on their increased production, it's noteworthy that this November marks the expiration of the federal regulatory cap of five hours of prime-time programming per week which each network can own an interest in and air. Some reports are that new restrictions, if any, might not be imposed by regulators until at least May 1991. Given the activity at the networks and the studios, it seems safe to say that the long-form presence will grow as the season unfolds.

Despite disappointing ratings for such mini-series as War and Remembrance, studios are warming again to long-form production.
Warmest congratulations to Ralph Roberts, whose devotion and dedication to the Kaitz Foundation has opened doors for so many deserving individuals.

Your friends at Home Box Office
The Twenty Years’ War

The pols may win their latest skirmish with broadcasters over advertising rates.

BY PENNY PAGANO

The problem with campaigns is not radio and television—the problem is spending.”

With this statement, former president Richard Nixon vetoed legislation in 1970 that would have limited the amount of money that political candidates could spend on radio and TV and required broadcasters to sell advertising time at their lowest rates.

Some things, it seems, never change. Twenty years later, the battle over campaign financial practices rages on, and efforts to lower broadcast rates remain an ever-present ingredient in the mix of proposals circulating through the halls of government.

The controversy pits broadcasters against politicians who’re convinced they get a raw deal from radio and TV stations when it comes to political advertising rates. It’s an election year, and soaring campaign costs have Congress thinking reform.

Broadcasters feel just as strongly that they do not discriminate against politicians when it comes to rates. Of the myriad regulatory issues that affect broadcasters—and NAB president Edward Fritts says his association is tracking more than 150 of them—only a few, such as spectrum fees, raise the hackles of broadcasters as much as proposals to revise the current rules for political advertising. “There’s no question,” says one industry lobbyist, “that this is a very emotional issue for broadcasters.”

Congress, however, buttressed by the Federal Communications Commission’s September report that a majority of stations that it audited do not comply with current statutes, may have the added ammunition now to toughen restrictions on broadcasters. Both the Senate and the House have passed campaign reform measures that include provisions aimed at broadcasters. The Senate approach essentially assures political candidates who agree to follow campaign spending laws that they will get the lowest unit rates for nonpreemptible spots.

The House took an entirely different route, effectively discarding the lowest unit rate in favor of a plan that would allow candidates who agree to campaign spending laws to get one political spot free if they purchase two spots. The thrashing out of a final proposal will be left to a conference committee. Whatever plan results, however, is clouded by President Bush’s vow to veto any legislation that establishes public financing for Congressional campaigns.

David Bartlett, who heads the Radio-Television News Directors Association, calls the bills on Capitol Hill impractical and unconstitutional. By taking advertising time from broadcasters and cable operators without compensation, broadcasters would be robbed of revenue while politicians who don’t want to pay going advertising rates would have a financial windfall.

The NAB, clearly more comfortable with the House proposal than the Senate plan, had its own wish list of changes, including shortening the period in which lowest unit rates apply (reducing the period from 60 days to 45 days before a general election and from 45 to 30 days before a primary), ensuring that spots remain preemptible until paid for, and allowing spots to be preempted without penalty when sports events run long or breaking news occurs.

The fact that more than a dozen bills have been introduced in Congress this year dealing with campaign reform and broadcast advertising reveals, if anything, a lack of a clear consensus about what approach best addresses the current campaign spending dilemma.

While the Congressional timetable in the waning months of this session will be a factor in what legislation emerges, some believe the outcome is inevitable. “Broadcasters will have to ante up one way or another, whether they like it or not,” says Larry Sabato, a professor of government at the University of Virginia who served on the Senate’s panel.

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Source: NAB.
of experts on campaign reform earlier this year.

It was in 1972, two years after Nixon's veto, amid increasing complaints about campaign spending and broadcasting costs and access, that Congress passed new legislation aimed at halting spiralling campaign costs and ensuring political candidates greater access to the media. As part of that plan, Congress directed broadcasters to charge legally qualified candidates the lowest unit charge for the 45 days preceding a primary election and the 60 days before a general or special election. Congress said that its intent was to put the candidate "on par with a broadcast station's most favored commercial advertiser." These provisions, left to the FCC to implement, have become the focus of efforts by lawmakers to address political advertising as part of broader campaign reform packages.

One of the things that politicians tend to agree on is that the cost of running for office is getting out of hand. Many think that broadcasters are sticking it to them with high advertising rates, preemptible spots, and other restrictions on available time. Simply put, politicians want a break on what they spend on broadcast advertising. Broadcasters, on the other hand, see things a bit differently. They don't think the current rules on lowest unit rates need major adjustment, nor do they think that politicians are being shortchanged when compared to the rates that they negotiate with their best commercial customers.

Last month's report by the FCC's mass media bureau, following its audit of 20 TV stations and ten radio stations, was clear: "At a majority of the stations, political candidates have paid higher prices than commercial advertisers because sales techniques encouraged them to buy higher-priced classes of time." "There is a problem," says Roy Stewart, chief of the Mass Media Bureau.

The NAB responded that the report gave the impression that conclusions had been reached, when in fact they had not. According to the NAB's Fritts, the report adds "more misunderstanding and confusion to a subject rife with difficult interpretation."

While broadcasters question the FCC's findings, they also worry that new legislation will only increase demands for political spots in the fourth quarter of the year, which traditionally is the busiest period for broadcasters. And then, broadcasters say, there is the larger question: Will new legislation aimed at political advertising actually lead to lower overall campaign expenditures? Or will the savings from lower ad costs simply be used to pay for other campaign expenses? Finding an equitable solution, or at least one that is palatable to both politicians and broadcasters, won't be easy. Finding a solution that actually results in lowering overall campaign expenditures will be even harder.

Sabato suggests that the current situation may prove a stalemate. As for proposals affecting broadcasters, he thinks that his plan calling for free television and radio time for political parties coupled with flexible spending limits in other areas is the best possible compromise.

Under Sabato's proposal, all radio and television stations would allocate four hours of free broadcast time each year to the two major political parties. The time would be divided in half between the national and state party organizations, which, in turn, would allocate time to individual candidates.

"Broadcasters don't like my proposal because it involves free time," Sabato says. But he thinks that broadcasters should give it another look, and weigh what he sees as the benefits of dealing with two entities rather than the array of individual candidates.

Sabato also reports that when he broached his idea privately with a dozen senators while serving on the Senate's campaign reform panel, they all liked the plan. But publicly, most were reluctant to offer endorsements. "Most won't take the chance of offending the broadcasting industry," Sabato says.

Former CBS senior vice president Gene Mater, who has sparred publicly with Sabato over the proposal, says the plan unfairly discriminates against the broadcast media, makes no provision for candidates of other political parties, and doesn't cut campaign costs because individual candidates would still be allowed to buy additional time.

Mater, now with John Adams Associates, a public-affairs consulting firm in Washington, D.C., also contends that Sabato's proposal challenges the basic freedoms of broadcasting. Mater says it is "selective discrimination" to blame broadcasters for the ills of rising campaign spending: "It's not television's fault."

Needless to say, events such as the FCC's surprise audit have only heightened broadcasters' anxieties over the issue. Few in the industry would dispute Marty Brantley, president of independent television station KPTV in Portland, Ore., who says it is understandable that broadcasters feel defensive on this issue. (His station, one of those targeted for the FCC audit, sent between 400 and 600 invoices to the Commission. "And we had a relatively mild primary," he adds.)

"I understand the problems that Congress has with fundraising. It is a big problem. Something has to be done to get good people into the system, and to get campaign spending under control," he says.

At the same time, Brantley believes that the efforts aimed at broadcasters don't address the overall problem. Moreover, broadcasters feel that with their participation in public service and other areas, that they are already doing their part. "Let's be fair rather than pick on us one more time," he says.
THE LAST STATION TRADER
Dan Sullivan turns radio broadcaster Clear Channel into a TV animal.

By Cheryl Heuton

Want to meet up with Dan Sullivan? Pick a state. Any state. He spends most of each week dashing from one to another. Want to catch him on the phone? You'll have to try eight numbers in six cities and get him between calls, because he's on the phone a lot. Or just leave a message—Sullivan is famous for returning all calls. A man in constant motion, he's perpetually just off a plane and just off the phone with everybody who's anybody in television. Fox's Jamie Kellner? Dan was just chatting with the network president. Arsenio Hall? Dan and the Entertainer of the Year did dinner in L.A. Lucie Salhany? Dan knows where Paramount's top syndication executive spent her summer vacation. With frequent trips to his five television stations, to both coasts to meet syndicators and all around to look at new properties, Sullivan wouldn't seem to have time for a life—except that running Clear Channel Television is his life. And he's loving it.

Don't try to sell him a used car: Dan Sullivan's feel for a deal helps him push his Foxy station group to success.
Sullivan got a rare opportunity in 1988 when he was hired by Clear Channel Communications Inc. to build a television station group. Rare because he gets to do it his way, and because Clear Channel has the reputation and financial resources for a serious run at the television business. Well, as serious as anything can be under Sullivan—the ebullient, animated Tennessean seems to be constantly fighting an urge to chuckle. When he talks about his company, he tends to break into a broad grin.

He's earned the right to smile in a business that makes most gnash their teeth. Growth has come through well-timed deals deftly handled. In 1988 Clear Channel, based in San Antonio, owned 16 radio stations in five states. During the latter part of 1989 the company purchased four television stations located in Mobile, Ala./Pensacola, Fla.; Tucson, Ariz.; Jacksonville, Fla.; and Tulsa, Okla.

In August of this year the company bought a fifth station in Wichita, Kan. Clear Channel can now boast the greatest concentration of Fox Broadcasting Co. affiliates held by a public company: Four of its five stations are Fox. Indeed, some analysts seeking means for clients to invest in the Fox phenomenon recommend Clear Channel, since investing in News Corp. offers a participation too diluted to be a meaningful Fox play.

The Fox angle, however, isn't the only reason analysts focus on Clear Channel. In an industry where management seems fatally drawn to high leverage, higher prices and expansive budgets, Clear Channel has remained cautious, conservative and lean. The company thus seems an anomaly, but Alan Gottesman, analyst for PaineWebber Inc., offers this perspective: "It's everything else that's odd. The way other media companies do business—that's what doesn't make sense."

Clear Channel was founded in 1972 by L. Lowry Mays, then an investment banker. For 16 years it built a solid reputation for success in radio. For example, despite competition from dozens of rivals in a competitive market, its Louisville FM and AM stations claim about 30 percent of the listenership and 40 percent of the $25 million available for all radio sales. In San Antonio, its stations earn about half the market's radio ad revenues. The company's overall net revenues hit roughly $45.7 million in 1989. Lynn Detrick, analyst with Lovett Underwood Neuhau & Webb Inc. in Houston, places Clear Channel's gross broadcasting revenue growth at a compounded 26 percent over the past five years, with cash flow rising 11 percent. PaineWebber's Gottesman estimates that net revenues will rise nearly 30 percent to $66 million for 1990, and another 14 percent to $75 million for 1991.

Clear Channel's foray into television started in 1987, when management decided the price of radio stations was beginning to get too high. "It became almost impossible to purchase a radio station and get the return we required," says Mark Mays, company treasurer and son of Lowry Mays. Clear Channel was intrigued by the independent TV business because programming costs were coming down, and many stations were being run by people who weren't broadcasters. "They were people attracted to the glitz and glamour, but in many cases they didn't know what they were doing. That meant there was potential for professional management to cut operating costs and improve sales and revenues," the younger Mays says. In addition, the company felt that radio had taught it useful skills.

"In the radio environment, one market can have a participation too diluted to be a meaningful Fox play."

The deal, settled in March 1989, didn't close until December of that year. The Fox angle, however, isn't the only reason analysts focus on Clear Channel. In an industry where management seems fatally drawn to high leverage, higher prices and expansive budgets, Clear Channel has remained cautious, conservative and lean. The company thus seems an anomaly, but Alan Gottesman, analyst for PaineWebber Inc., offers this perspective: "It's everything else that's odd. The way other media companies do business—that's what doesn't make sense."

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Moreover, in the station market of the late '80s, high programming costs and slumping ad sales had begun to thin the ranks of buyers. Few banks wanted to finance the purchase of an unaffiliated station, particularly if the purchase required high leverage. Clear Channel's advantage was that its leverage—its debt load—is quite low for a broadcast company. With good credit lines at decent rates ("Lowry never pays more than prime," says Sullivan), the company was ready to buy at a time when few were interested in independents.

Enter Sullivan, whom Lowry Mays had met through various business connections. Sullivan, 39, had begun his career in 1973 as an ad salesman at WTVK in Knoxville, Tenn. He had worked as a general manager, then run eight independent stations for Media Central Inc. before moving to Southwest Multimedia Corp. in 1986 as executive v.p. and COO. Sullivan was happy at Southwest and not eager to leave, but says Mays told him, "You find the stations, you negotiate the deals, you run the company. It was a Godfather deal—I couldn't refuse." Sullivan came to Clear Channel in September '88 as president and COO to start up the wholly owned TV subsidiary, and the importance of his broadcasting expertise and deal-making drive to the ambitious little radio company has been essential: "We wouldn't be in the TV business if we hadn't found Dan to run it for us," says Mark Mays.

The company's acquisition plan was to seek Fox stations in mid-size markets ranking between 40th and 70th, ideally owned by non-broadcasters. WPMI in Mobile, Ala., located in the 55th largest market and owned by Michigan Energy Resource Corp., was first. The Fox affiliate sold to Clear Channel for $8.1 million in a deal that closed on the last day of 1988.

Next came KTTU-TV in Tucson, Ariz., the only station that doesn't meet Clear Channel's stated target profile. It's not a Fox, and its market, at 70th, is smaller than those the company prefers. It was, however, owned by a non-broadcaster—the Catholic Diocese of Tucson. Perhaps it was the price tag that did the most to entice Clear Channel: At $2.2 million, it was cheap. KTTU's ratings and revenues are up, Sullivan says. "Most would say its performance is great. For us, though, it's average. If I had it to do over again, would I buy it? No comment."

Tulsa's KOKI, the next purchase, is Sullivan's favorite deal. The Fox indie, AD 57, had been owned by a limited partnership. When Sullivan first looked at the station, the sellers wanted around $10 million to $12 million," he says. "I thought that was too high. But the partners were reaching the point where they were getting tired of pouring money into the station. When they finally did reach that point, we were there with a good offer, a firm offer." Final price: $6.4 million.

The deal, settled in March 1989, didn't close until December 1989 because Clear Channel owns two radio stations in Tulsa and needed approval from the FCC to own yet another outlet.
At $5.4 million KOKI was a bargain, but during the six months between the signing of the agreement and the FCC approval, it got even better. The regional economy began a rebound, the other independent went dark and programming prices dropped. Sullivan cut KOKI’s programming costs from $120,000 monthly to $50,000. Ratings rose and cash flow, $400,000 for 1988, leapt to $700,000 in ’89. It’s running ahead of 1990’s projected $1.5 million and is expected to hit closer to $2 million. That would mean Clear Channel’s $5.4 million price was at just over 2.5 times cash flow for the coming year—when seven times cash flow is considered a steal.

WAWS-TV in Jacksonville, Fla., was next on Clear Channel’s march through the South. Once again, Sullivan thought the price too high, and passed. Smack in the right market size (56), and a Fox affiliate, WAWS’ drawback, as far as Sullivan was concerned, was that it was owned by Malrite Communications, a company Sullivan considers an experienced operator. But when a deal with another buyer fell apart at the last minute, Malrite called Clear Channel, and the two settled on $8.1 million, less than the first asking price, and less than the deal that fell through, according to Sullivan.

The most recent purchase, final in August, was Wichita’s KSAS, a Fox affiliate in the 61 largest market. Sullivan had looked at it several times while he was working for Southwest Multimedia, but the price had never been right. It was owned by a limited partnership, and because of debt obligations and the costs of operations, “the price they needed to sell for was more than it was worth,” he says. A Chapter 11 bankruptcy forced the seller’s hand, and Sullivan agreed to buy the station only if the deal involved no programming costs. The syndicators and the bankruptcy judge approved. “They got their programming back, we got a clean slate,” Sullivan cut the monthly programming costs from $140,000 to $40,000. The estimated cash flow for first year is $1.2 million, but “personally, I think we’ll just blow it by,” he says.

Analyst Gottesman of PaineWebber points out that in the Wichita deal, Clear Channel paid almost nothing for “good will,” that ineffable quality that makes broadcast outlets worth more than the equipment and property they include. “In some of these broadcast deals, 70 percent of the purchase price is good will. In the Wichita deal, there was no good-will cost. They bought it for the price of facilities.”

Buying binge may be over, for now, due to market conditions and the lack of desirable stations available. “Some are not up for sale because their cash flows are improving,” points out Mark Mays. “And, of those stations in the 40-70-size markets, we already own five. ACT III owns seven, and that’s half of them right there. With fewer left to buy, the remaining are tougher to purchase. In the near term I don’t see that we’ll be able to purchase as readily.” (ACT III Broadcasting, a main competitor of Clear Channel, is a subsidiary of the parent company that owns Channels.)

Sullivan agrees with the younger Mays that the opportunities have thinned. Perhaps that’s for the best now, because his management method has him stretched pretty thin as it is. Though Sullivan gives general managers and department heads great autonomy, he spends nearly all his time at stations. And when he’s not doing that, he’s meeting with station rep firms, syndicators, brokers and investment bankers. It’s a frantic schedule, and among his managers and outside business contacts, he has earned a reputation as a tough negotiator, an intelligent operator, and a stunningly hard worker.

His dealing style combines business smarts with sly fun. “I suppose I’m not a favorite of the program sellers,” he grins. “When they ask, ‘Don’t you want to be the highest rated station?’ I say, ‘No.’ That stumps them. You know, the syndicators send their salespeople to training sessions, where they learn the right response to anything the client might say. But there’s nothing in their manuals that tells them how to respond if the client says ‘No, I don’t want to have the number one ratings.’ They just sit there.” Sullivan’s answer is more than a playful attempt to befuddle, though. “I really don’t care about having the highest ratings. My goal is to have the highest profits.” Even with spending less on programming, however, Clear Channel’s ratings are up. The July books showed the 1989-90 sign-on to sign-off ratings up 50 percent in Mobile and Tucson, 43 percent in Tulsa and 13 percent in Jacksonville. Only Wichita saw no growth. “but hey, we just got that station in August,” Sullivan says.

Program sellers and station reps respect Sullivan. “Dan is first and foremost a good businessman,” says Terry Mackin, v.p. of syndication, Western region, for Columbia Pictures Television. Mackin calls Sullivan “one of the sharper guys that I deal with. He’s a tough negotiator, underline tough.” Ray Johns, president of the rep firm Seltel Inc., which reps three Clear Channel stations, says, “Dan has good vision of what’s ahead. He’s an excellent appraiser. Every property he has gained in value, with dramatic improvements in the on-air look, programming,
ratings and revenues. It's magical—he's five for five.”

Marty Ozer, president of Katz Independent Television (two Clear Channel clients), says, “Dan is an excellent negotiator. He knows how to get what he wants at a price he feels is fair to him. I don't think he's ever overpaid for anything in his life. But he's fair—he doesn't leave a person with a bad taste in their mouth.”

Clear Channel, which has “Foxified” its stations in promotions and print ads, is enthusiastic about Fox-style value-added advertising, and has leapt on the Fox Kids Club idea. WPMI pioneered a Teen Card, for older kids, that offers members discounts at advertising businesses. The Teen Card idea is spreading to other Clear Channel stations and has caught the favorable attention of Fox’s promotions department. In Mobile, where an estimated 90,000 teens live within the station's ADI, 24,000 hold Teen Cards.

The programming at Clear Channel continues along familiar independent lines, except during those hours when Fox shows come into play. The usual is a morning kids' block, older half-hour and hour-long off-net shows in the afternoons, followed by an afternoon kids’ block. The early evening fringe is devoted to newer sitcoms. Prime, on non-Fox nights, is a movie, followed by “Arsenio Hall and Hard Copy.” Sullivan plans to add news operations at each station to tie in with Fox Broadcasting’s news efforts. Current plans call for phasing in news at one station in mid-'91, a second in late ‘91 and two more in ‘92. “Our news operations will be smaller than a typical network affiliate’s,” he says, “Our news operations will be smaller than a typical network affiliate’s,” he says, “but they will be new to stations that haven't had local news before.”

All of his planning and management takes place on the road, for a simple reason: There is no corporate telecommunications system at Clear Channel. Sullivan never missed a beat. Production manager Peter Goepels, says, “Dan gives management enough rope to build a bridge, or hang themselves, but he'll grab us before the rope snaps. Dan’s involvement is day to day, but when he’s in the station he’s a sounding board, a resource, for the entire staff.”

During a visit to Jacksonville, Sullivan dashed about the halls, greeting the staff by first names. Employees spoke freely with their corporate manager, jumping into detailed conversations on topics they’d last discussed with him several weeks before. Sullivan never missed a beat. Production manager Peter O'Brien describes the Sullivan hands-off-but-in-touch style: “Dan told me to make the production operation self-liquidating, but he let me decide how to do it. All he wanted to know was how—exactly how—I planned to do it, and why I thought particular ideas would work. Now we make money, but Dan still stays in touch, even about little things. But it’s his department to run and that gives me a feeling of pride.”

The system appears to be working, as indicated by the rising ratings, revenues and regard from analysts, who say that Clear Channel’s mistakes were few and not significant. One questionable decision was last year’s payment of 69% share dividend. The company took out a loan to finance the $11 million expense. The move, analysts say, was probably done to alleviate investor restlessness in the stock price’s failure to reflect fully the company’s success. Though the price has tripled in its six years as a public company, it hangs around the $10 to $12 mark—making it relatively undervalued, according to analysts who place its true value at nearer to $20. Investor pressure is no doubt keenly felt, since about 4 million of the 6 million shares outstanding are closely held. Lowry Mays holds about 1.4 million, investor B.J. “Red” McCombs another 1.3 million. Officers and directors together control some 70 percent. “If they run the company like it’s their money, it’s because it is,” says Gottesman. “The stock price has not kept pace with the company’s success, still, the dividend wasn’t the optimum use of the money. They likely did it as a tactical expedient, to keep shareholders quiet and happy. The company’s really not the worse for it.”

Part of the reason the stock remains undervalued is simply because that’s a trend among broadcasting companies. But it also reflects the very thin float of Clear Channel’s issues. Only about 2,000 shares are on the market at any time, and many a day passes when none are traded.

The other specific fault cited by some is the purchase of the Tucson indie, but it’s hard to call that a fault outside of Clear Channel’s own business plan. The station is improving, and makes money. It detracts from the company’s Foxy image, but then, “it reminds us what independent television is all about, and that independent television is still a core business for us,” Sullivan says.

As for his own corporate manager, Sullivan feels that Mays’ only fault is that he is very slow to pull the trigger. It’s very difficult to get him to go forward with a deal, even when everything is right.” The Tulsa triumph, in fact, created a new problem. “Now he wants every deal to be that good,” he says. “No matter what I do, he says, ‘But it’s not as good as Tulsa.”’ Gottesman agrees that the company’s conservatism might be a fault, but “then, for every ten high-flyers, eight get shot down. Dan Sullivan may think Mays is slow to pull the trigger, but considering the number of deals he has done, that can’t be true.”

The low-profile company won’t remain so much longer, as more investors eye its stock, and Fox gains clout. Fox Broadcasting president Jamie Kellner calls Clear Channel “one of the more aggressive groups,” and cites “strong programming, interesting promotions and a willingness to put their money where their mouth is with spending for station improvements.”

For now, Sullivan’s travels continue (“I spend more time traveling with the travel agent than with my wife”), and he’ll keep looking for those special deals. “I love this work,” he says. “You couldn’t pay me enough to do it if I didn’t. I’m having the time of my life, and what I really like about this company is that, for the first time, I really feel we can win.”

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Explaining tiering to cable subscribers isn't so easy.

By Michael Burgi

As the tiering concept catches fire in the cable community, spreading from system to system at the urging of MSO headquarters or divisional management, the job of telling subscribers what tiering will actually mean to them is left to marketers, programmers and public-affairs managers. Channel realignment has to be explained, as does any change in price for the various "lifeline," "standard," "expanded basic" or "segment" services offered.

Operators from Olympia, Wash., to Kansas City, Mo., to Brooklyn, N.Y., have immersed themselves in accomplishing this often daunting marketing task. The fact is, it's almost impossible to make sure every subscriber knows that, for example, the local public station is moving from channel 23 to channel 10 in order to line up all broadcast stations for a lifeline service. To let subscribers know what's happening, systems have mailed out bill inserts, used their character-generation channels and programmed cross-channel spots outlining changes. Some operators have even bought newspaper ads and sent press releases to local TV columnists to get them to write about the changes.

But how are systems explaining why the changes are taking place? The prevailing message communicated by systems has been "freedom of choice." Operators are positioning tiering as a way to allow subscribers to choose between receiving over-the-air channels only (with a few extras like C-SPAN and a superstation thrown in), or to get satellite-delivered basic-cable services as well, sometimes in a variety of combinations. Some operators refer to rate regulation as an instigator of tiering, but most have tried to characterize tiering as a kinder, gentler change.

Operators, however, may encounter local cable watchdog groups who want to take them to task for glossing over the rate-regulation issue. "Most subscribers don't see the threat that tiering poses," says Jim Fay, chairman of the North Area Cable Television Authority, the St. Louis-area watchdog. "When rate regulation is reestablished, only the lowest tier of programming will be subject to reregulation, not the 'expanded packages.' " When one of the systems in the area, ATC-owned American Cablevision of St. Louis (both ATC and TCI have chosen Missouri and Mississippi as their unofficial tiering test markets), tiered its programming earlier this year, Fay's organization wrote American Cablevision, expressing disappointment at the move to create the two tiers. "They wrote back saying, 'That's your opinion, but we're going to do this anyway,' " explains Fay. The group has no power to stop American Cablevision from tiering because there are no limitations in the franchise agreement, which only comes up for renewal in 1996.

To date, most subscriber complaints about tiering have concerned channel...
realignment. "The first few days were really hectic after we started the new tier," explains Carol Rothwell, director of public relations for ATC's American Cablevision in Kansas City, Mo. "We got thousands of calls." Subscribers were calling to find out where channels had moved. Rothwell says the system's customer service reps were able to handle the situation over the phone, and a mailing was not required. "We just couldn't afford another mailing," she says. As for what subscribers chose, less than 1 percent downgraded to a lifeline service, fewer than the 3 percent American Cablevision expected. Rothwell opines, however, that when the next price hike comes around, the number of lifeline subscribers may surge.

The system began tiering last May and June, offering a lifeline service—the "basic" package—of broadcast, public and superstations as well as the local access channels for $11.95. The "standard" service, comprising all other basic-cable nets, added two new services, the Discovery Channel and the Comedy Channel. It was repositioned as the logical choice of the average customer who wants more than just good reception, hence the new name. Carol Rothwell explains, "When our regional division decided to tier earlier this year, it had to do with pending legislation. We felt that by tiering, this positioned us better to maintain control over doing business our way. But we didn't share that with our subscribers." What American Cablevision did explain to the sub was that "you will now have a choice: a new 12-channel Basic service or the more complete Standard service," according to the letter mailed out as a bill insert.

When gearing up for a series of lifeline services at some of its systems in Tennessee, MultiVision Cable TV went so far as to do three mailings and place on-air inserts in open avails announcing the impending changes. The system also got the local newspaper to cover the changes in its TV column. "We tried to make sure we were covering all our bases," says Billy Barksdale, district general manager for MultiVision's Tennessee properties. Confused subscribers called anyway. As at other systems introducing tiering, the number of customers who ultimately chose the lifeline service was minimal.

Jones Intercable has been tiering at about 20 percent of its franchises since their inception, says John Mathwick, Jones' group v.p. of marketing. The balance of Jones' systems adopted tiering in June, and not necessarily because of pending regulation. "In large measure, tiering was motivated by license-fee increases by cable networks, and our need to pass that on to the subscriber," explains Mathwick. "We told the customers the reason for tiering was to give them a choice, and that we anticipated an increase in rates."

To let the subscribers know, Jones systems sent out separate direct-mail packages two months before tiering, above and beyond the regular bill inserts, which operators know subscribers often ignore. Most systems also used character-generation channels to alert subs. Mathwick says that the systems also let local cable authorities know what they were about to do. "We have a commitment to the local political bodies," he says. "They appreciate what our problems are."

Across the board, in the first three months after tiering, Mathwick says systems saw less than one-half of 1 percent take on the lifeline service. Most systems didn't run into subscriber confusion, since very few systems had to realign channels.

Not all communities have adopted tiering when the local system tried to implement it. In fact, UA-Columbia Cablevision of Westchester in New Rochelle, N.Y., owned by United Artists Entertainment, never even got tiering off the ground. When it advised its local cable authority of its plans to tier, the cable authority put its foot down. "We fought them and we won," says Susan Tolchin, town clerk for the town of Greenburgh, N.Y., one of the communities served by UA-Columbia.

UA-Columbia lost its bid to tier because its franchise agreement strictly prohibits any form of tiering.

According to Tolchin, back in 1979, UA-Columbia was vying with Cablevision Systems for the franchise. Cablevision had plans to tier the system if it won, which Greenburgh and the other municipalities did not want. So UA-Columbia won the franchise with the understanding that it would not attempt to tier. "We told them tiering is a violation of the franchise agreement and that they were going back on their word," explains Tolchin, upon which UA-Columbia backed down. "This was bad timing on their part, since their renewal is up in 1993."

Despite her community's successful opposition to tiering, Sue Tolchin agrees with Jim Fay in St. Louis that towns and municipalities all too easily "get stuck with whatever the systems give them. We actually have a very good relationship with UA-Columbia, but we knew this would only be the beginning of consumer's problems if we didn't stop them." Not all communities, it seems, are prepared to accept tiering without questioning cable's motives.
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MIXING KIDS AND COMMERCE

Tapping the loyalty of young viewers is a delicate business.

By John Flinn

Cincinnati's annual Kid's Fest draws some 50,000 children (and their parents) to a city park on the banks of the Ohio River, and local independent WXIX always sets up a booth to have a presence. This year the station had arranged an elaborate scavenger hunt around Michael, the host of the station's newly formed kids club, and had situated costumed Disney characters Chip and Dale at the park entrance to hand out the scavenger maps.

The festival day arrived to a gloomy sky studded with rain clouds. "We thought, okay, we're going to have a downpour and then it'll stop," says Sharon Geiger, WXIX's events coordinator. "But it didn't. The rain kept coming. And people kept coming, and kept coming, and kept coming." Before it was all over, Chip and Dale had handed out 10,000 maps, and throughout the park drenched kids were seen trudging to the ten marked destination points culminating at the Club 19 booth, where they could win a prize—and meet Michael. "He had kids waiting 20 to 30 minutes in the rain to see him," says Geiger. "It's insane."

Some would say it's beautiful. Kids clubs, an age-old idea in independent television, are enjoying a renaissance, spurred by the national efforts of Fox and adopted by everyone from cable net Nickelodeon to Burger King. The kind of devotion kids give to WXIX's Michael is far from unique—Fox's 134 participating stations have signed up 2.2 million kids since the effort started last Christmas—and broadcasters hope kids' loyalty will extend to their programs as well.

But this new opportunity to reach young viewers doesn't come without peril. The slightest hint of exploitation of kids will bring a swift rallying of parents against a station. And since every kids club involves commercial sponsors to some degree, the line between community service and commerce is by necessity blurred.

Take the national Fox effort, which centers around an eight-page quarterly newsletter called Totally Kids and includes a membership kit with plastic ID card. Fox pays for the kit and handles all fulfillment, mailing and creative execution of the newsletter's interior. Stations provide Fox with the kids' names and have the front and back covers of the newsletter to customize for their market.

Most stations use the front cover to promote kids-club events and the program schedule. The back cover is typically a collection of coupons from the station's kids-club sponsors. In the case of KPTM Omaha's summer issue, offers included a free ice cream cone at the Peony Park amusement center, $3.99 all-you-can-eat shrimp at Sizzler and "free general admission for the
whole family” to the Ak-Sar-Ben Thoroughbred Races any Sunday. (“Here, kid, put two dollars on Lucky Lady in the seventh.”)

Few stations report having received complaints about their coupons, in part because Fox has put extra effort into making the interior both fun and educational. Even Peggy Charren, director of Action for Children’s Television and usually a harsh critic of commercial efforts directed toward kids, says, “Fox has put together a very nice little magazine. It promotes reading; there are games. It could have been an eight-page sales pitch, and it isn’t.”

At KSHB in Kansas City, which supplements Fox’s quarterly newsletter with its own monthly effort, Sandy Martin, director of marketing, creative services and promotion, makes sure that the coupons she prints offer real value to the club’s 35,000 members.

“If [club sponsor] Children’s Palace typically offers buy-one-get-one-free, we require them to give us something a little bit deeper,” says Martin, “and the same thing goes for the one-time promoters that come in, like Ringling Bros. If it’s truly a value, which will save the family money and encourage them to go to an event they might not otherwise get to, we’ll do that. But if a client wants to buy coupon space that says, ‘Come into our hobby shop, we’ll give you free glue with the purchase of an airplane,’ we won’t allow that.”

KSHB’s sponsors also include Wendy’s and The Discovery Zone, a “hands-on recreational center” for kids.

WFTS Tampa filled its summer coupons with offers from the Museum of Science & Industry and the Lowry Park Zoo, plus a less pristine offer from Polar Cup soft drinks. Kids-club coordinator Chris Raynor (also the station’s promotion coordinator) says she plans to devote the next issue to educational and safety-tip coupons. But Raynor admits her public service is partly forced. “Unfortunately, [local sponsorship] sales haven’t fallen in place,” she says. “It’s just not a priority for the sales department.” With 30,000 members and 150 to 200 more a day signing up, the WFTS kids club wouldn’t even exist without Fox’s support. “If we did it ourselves, we figure the kits would cost $1 apiece, and the magazine 25 cents per issue,” Raynor says. “That’s a major expense that we couldn’t do on our own.”

Television’s other national effort is coming from Nickelodeon, which launched a kids club and magazine earlier this year (not tied in with local cable's or broadcasters). Marty von Ruden, director of publicity for Nickelodeon, notes that the club and magazine were in development for about a year and a half. “We discovered there wasn’t a general lifestyle magazine for boys and girls,” he says. By the time the club launched in May, in association with Pizza Hut, other kids clubs were up and running, “and we got criticism we didn’t measure up,” says von Ruden.

The club cost $9.95 to join and included a subscription to the magazine. So now Nick is revamping the club and proceeding with the magazine on its own.

The Nickelodeon kids-club magazine, pitched at $9.95 a year, has taken some heat for the “Nick Store” within.

But in its conclusions the report voiced more penetrating concerns about the mixing of kids and commerce: “Clubs disguise commercial messages. Kids are invited to join something that promises to be ‘theirs,’ but turns out to be a way of manipulating them to buy things. The ad messages come disguised as ‘advice from your club,’ making them more difficult to resist.”

Careful stations are making sure such charges can’t be levied at their efforts. Says KSHB’s Martin, “There are a lot of people out there waiting for the other shoe to drop, for that heavy commercial message. But it doesn’t come from us. And that’s why we’re accepted in the schools, with the Boy Scouts and Girl Scouts.”

At WXIX in Cincinnati, general sales manager Bob Bee is proud to have in his kids club such wholly commercial sponsors as Wendy’s and Van Leunen’s department store. They certainly are participating in part to reach children with their message. “Clients are happy,” Bee says. “They’re surprised at how big, how fast, how powerful this thing
For three evenings in late June, Peter Dierauf, marketing and sales manager of Cox Cable in Hampton Roads, Va., and his customer-service staff found themselves staring at a bank of five TV sets, each tuned to one of the local broadcast stations. They were waiting for a barrage of phone calls. Every 15 minutes from 5:30 to 10:30 p.m., at least one and as many as three spots aired with system personnel imploring viewers to order cable by phone and have it installed within a couple of days. Every time a spot aired Dierauf and company were deluged with calls.

The scene of Dierauf's "instant-install" campaign, for which he bought fully 550 gross rating points over three days, illustrates why most cable operators who can afford it are buying more broadcast time than ever before: It gets results.

"There's no better way to communicate what cable offers than to show it on television," says Richard Lyness, executive director of the Southern California Cable Marketing Council, a coop that buys ad time for 57 area systems. "As far as maximizing reach, broadcast TV is very effective."

"This year broadcast television has been the top priority in looking for ways to achieve our acquisition goals," says Mike Losier, director of marketing of United Artists Cable in Denver. In 1990 Losier upped broadcast TV as a percentage of the marketing budget to 15 percent from 5 percent in 1989.

In addition to traditional direct-response type acquisition ads, systems and co-ops are increasingly utilizing broadcast TV to improve image, showing community involvement and coveted programming that can't be found on broadcast. Though they're more now 30 percent image and that will grow," Sebbe lauds the aesthetic impact of broadcast ads in selling cable programming. He cites a CNN spot tout ing its Gulf Crisis coverage. "[The gist] of the CNN spot is that they were first on the scene with this video coverage," he says. "It's a very dramatic commercial and it's hard to convey that on the radio or in a newspaper."

To build the system's community image, Cox's corporate office in Atlanta produces image spots for its systems. The spots show Cox's customer-service people answering phones, Cox technicians working through the night and rain, and other employees involved in such community activities as coaching a youth basketball team.

But as systems make image and program-specific spots a larger part of their broadcast ad mix, they must contend with resistance from stations. Six years ago, most stations wouldn't accept any cable ads, but as stations have become more friendly with cable (and anxious for its ad dollars), systems find themselves in the position of seeing how far they can push the competitiveness of cable programming.

Sandy Styer, executive director of New York's 36-system/2.6 million-sub Metro Cable Marketing Co-op, says this year stations refused to run two of its ads. One ad showed how cable becomes part of the consumer's life by...
RETOOLING TV'S IMAGE

Jim Sharkey does instant-install campaigns for a living. Through his company, Cable Marketing by: Sharkey, based in Detroit, they produce, direct, writes, and performs in direct-response ads most systems run over a three- to five-day blitzkrieg of ads on broadcast TV stations. “I'm like a one-man ad agency,” he says.

“He comes ready to go with scripting,” says client Mike Losier, marketing director at 155,000-sub UA Cable in Denver. Losier's last Sharkey campaign netted 7,000 installs for the week and 10,000 for the month—over double what UA normally does. “You don't have to go through 50 different shoots for one ad,” says Losier, “which is really nice—rather than using a local talent that you're going to have to try to get up to speed.”

“He is very appealing to me because he doesn't look like a slick used-car salesman,” says Bob Sebbe, marketing manager of Cox Cable in Omaha, Neb., and creator of the instant-install concept. It was Sebbe who first got Sharkey into the business when, in fall 1987, Sebbe thought his former HBO rep, then a freelance announcer, would be perfect for his instant-install spots. “He communicates very effectively and has a strong ability to get people to pick up the phone,” says Sebbe.

“The spots for [Sebbe's] campaign worked so well that I just expanded that business amongst other operators,” shrugs Sharkey, who has run campaigns in 20 markets for MSOs such as Storer, ATC, Comcast and Jones. Sharkey doesn't need to do much advertising; almost all of his business comes from word of mouth. He was recommended to UA's Losier by the system's new general manager, who had worked with Sharkey in Detroit. “They had used him and had great success,” says Losier. “It made sense to keep a good thing working. He's just got that kind of direct-response look to him.” R.K.

IN FOCUS

INSTANT EXPERT

Jim Sharkey in action.

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President,
King World International
Feeding the LYONs by Cheryl Heuton

An underutilized security offers a good fit with media’s money needs.

If deals aren’t getting done, then how are all these brokers, investment bankers, lenders and finance officers spending their time? Refinancing, that’s how—and some of their newer schemes are bringing different investors and lower costs to the table.

There is, as industry insiders like to say, “a lot of high-rent paper out there.” Companies that took on expensive debt during the 1980s now want cheaper loan packages. Still others want new money for acquisitions.

The tight money market has closed off many traditional finance sources to all but the healthiest operations. Banks, however, still respond eagerly to respected management at the helm of a good performer. Multimedia Inc., for instance, went shopping last spring for refinancing to fund acquisition and stock repurchase, and to reduce costs acquired during its 1985 leveraged buyout. Multimedia sought only $950 million, but received offers of $1.4 billion.

Some companies opt not to go the customary finance routes. One relatively new method is the zero-coupon convertible bond, commonly known under the Merrill Lynch term “liquid-yield option note,” or LYON, because Merrill Lynch developed it and has underwritten 80 percent of those issued.

The product is five years old, but the first media LYON was completed in October 1989, raising $200 million for Turner Broadcasting System. The LYON got its biggest endorsement this past summer, when the Walt Disney Co. raised $2.25 billion in the largest ever offering of a convertible security in the U.S. Other media companies that have issued LYONs include Motorola Inc. ($400 million) and Blockbuster Entertainment Corp. ($52 million).

Media companies with traditionally minded management had shied away from LYON-like convertibles because they were new, says Lee Cole, managing director of Merrill Lynch Capital Markets, and creator of the LYON. After Disney’s success, however, more conservative firms are willing to consider the bonds. Other institutions, notably First Boston Corp. and Salomon Brothers Inc., now offer products that compete directly with Merrill Lynch’s innovation.

A LYON is a 15-year zero-coupon convertible bond sold at a discount to face value (See Channels, February 1990, “After Junk: Street-wise Financing”). Unlike a regular convertible, no interest is paid during the term, only when the bond matures. The buyer can opt to convert the security into stock at any time during the term, but then receives no interest. The buyer is thus trading some of the possible stock gain for the chance to avoid losses. If the stock price rises, the value of the LYON does, too. If interest rates drop while the stock goes up, the LYON price can rise faster than the stock’s.

Wall Street has a tendency to undervalue broadcast, cable and entertainment stock. When a media company raises money by issuing more stock, the sudden increase in supply can depress prices. LYONs raise cash while avoiding the dilution. The stocks get support and the company gets the new financing.

LYONs are essentially a better deal for the issuer than for the buyer, because if the stock price doesn’t rise, the buyer gets only a below-market interest payment. Even so, investors unwilling to risk capital have proven eager to make the trade-off for the relative safety a LYON affords.

That very safety makes LYONs popular with small investors. Disney’s offering, for example, was sold to 55,000 different buyers. “Not a lot of companies have 55,000 shareholders, let alone 55,000 buyers for a bond,” says Cole. Roughly 60 percent of the Disney LYON buyers were individuals. Compare that to the overall equity marketplace, where 85 percent of bond buyers are institutions. Cole says that the product was developed to fill buyer demand for a safe stock-market play. The seller-side drive developed later as companies became attracted to the savings offered. The issuer’s interest payment, made at maturity, can be 300 to 700 basis points cheaper than other financing methods.

LYONs are a particularly good fit for media precisely because their success hinges on small investors—and thus on the public perception of the issuer. Media firms tend to be high profile and offer an association, however tenuous, with the exciting world of mass entertainment. Combine that with a strong stock performance, such as Disney’s, and the buyers line up.

Merrill Lynch’s Cole: LYONs lure cautious investors into the scary world of media deals.
Cable Penetration Update

With national penetration of 59.8 percent as of July 1990, only one DMA, Palm Springs, Calif., has so far reached the magic 90 percent mark. Most of the ten most highly penetrated DMAs are small markets—only two are among the 100 biggest DMAs. Penetration may be higher in these markets because subscribers want to get larger-market stations, a full complement of affiliates or, more generally, the greater number of viewing choices offered by cable.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Designated Market Area</th>
<th>Percent Cable Penetration</th>
<th>TV Households / DMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Palm Springs, Calif.</td>
<td>91.7%</td>
<td>104,140 / 160</td>
</tr>
<tr>
<td>2.</td>
<td>Santa Barbara-San Luis Obispo-Santa Maria, Calif.</td>
<td>86.1</td>
<td>206,410 / 110</td>
</tr>
<tr>
<td>3.</td>
<td>Honolulu, Hawaii</td>
<td>84.7</td>
<td>350,920 / 71</td>
</tr>
<tr>
<td>4.</td>
<td>San Angelo, Texas</td>
<td>83.2</td>
<td>44,780 / 194</td>
</tr>
<tr>
<td>5.</td>
<td>Hartford / New Haven, Conn.</td>
<td>81.4</td>
<td>902,010 / 23</td>
</tr>
<tr>
<td>6.</td>
<td>Tuscaloosa, Ala.</td>
<td>80.9</td>
<td>54,320 / 186</td>
</tr>
<tr>
<td>7.</td>
<td>Springfield-Holyoke, Mass.</td>
<td>80.2</td>
<td>218,050 / 109</td>
</tr>
<tr>
<td>8.</td>
<td>Lafayette, Ind.</td>
<td>80.1</td>
<td>43,060 / 196</td>
</tr>
<tr>
<td>9.</td>
<td>Laredo, Texas</td>
<td>79.5</td>
<td>35,720 / 200</td>
</tr>
<tr>
<td>10.</td>
<td>Biloxi-Gulfport, Miss.</td>
<td>79.0</td>
<td>66,010 / 180</td>
</tr>
</tbody>
</table>

Source: Nielsen Station Index.

Top Deals of First Half '90

The first half of 1990 proved quiet for system sales, according to Paul Kagan Associates' Cable TV Banker-Broker. The list below includes proposed and closed sales, yielding an aggregate $835 million at the end of June. Kagan's leading cable broker year-to-date is Lazard Freres, based on the cable assets involved in the Time-Warner merger.

<table>
<thead>
<tr>
<th>Buyer / Seller</th>
<th>Property</th>
<th>Date</th>
<th>Price (SMIL)</th>
<th>Broker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cencom Cable</td>
<td>Insight Communications</td>
<td>Sanford, N.C., et al, 72,000 subs</td>
<td>3/90</td>
<td>$160</td>
</tr>
<tr>
<td>Marcus Communications</td>
<td>Star Cablevision Group</td>
<td>Burlington, Wis., et al, 61,300 subs</td>
<td>1/90</td>
<td>120*</td>
</tr>
<tr>
<td>Olympus LP</td>
<td>Tele-Media Corp.</td>
<td>Palm Beach County, Fla., 42,000 subs</td>
<td>4/90</td>
<td>80*</td>
</tr>
<tr>
<td>Continental Cablevision</td>
<td>Colonial Cablevision</td>
<td>Revere, Mass., et al, 20,100 subs</td>
<td>1/90</td>
<td>61</td>
</tr>
<tr>
<td>InterMedia</td>
<td>Multivision Cable (MI Media)</td>
<td>Henderson, Tenn., et al, 36,000 subs</td>
<td>6/90</td>
<td>60</td>
</tr>
<tr>
<td>Warner Cable</td>
<td>Ingersoll Industries</td>
<td>Muskega, Wis., et al, 22,000 subs</td>
<td>1/90</td>
<td>49</td>
</tr>
<tr>
<td>InterMedia Partners</td>
<td>Tele-Communications Inc.</td>
<td>Marion, N.C., et al, 23,000 subs</td>
<td>6/90</td>
<td>40*</td>
</tr>
<tr>
<td>Elder / Scott</td>
<td>USA Cable</td>
<td>Baltimore, Md., 16,060 subs</td>
<td>2/90</td>
<td>37</td>
</tr>
<tr>
<td>Helicon Corp.</td>
<td>Simmons Cable</td>
<td>Barre, Vt., et al, 12,800 subs</td>
<td>4/90</td>
<td>30*</td>
</tr>
<tr>
<td>Marcus Communications</td>
<td>USA Cable</td>
<td>Galesburg, Ill., 13,000 subs</td>
<td>1/90</td>
<td>25*</td>
</tr>
</tbody>
</table>

Is Local Advertising Becoming an Issue After Issue?

Winning over local newspaper advertisers can be an important new source of revenue for your television station. The Local Multimedia Report is a new tool to help you target newspaper advertising dollars and move them into television.

With the Local Multimedia Report, you can identify which advertisers are concentrating their buys in newspaper, how much they’re spending and when they advertise. Using trends provided in the Report, you can time your sales proposal to get to advertisers before they make their media plans.

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Leading The New Age of Basic.